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**Cordlife Ltd**  
ABN 48 108 051 529

Annual Report  
For the year ended 30 June 2009

**Cordlife Ltd**

**Corporate Information**

**ABN 48 108 051 529**

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**Directors**

Mr Kam Yuen	(Chairman, Non-executive)
Mr Steven Fang	(Executive)
Mr Jeremy Yee	(Executive)
Ms Seow Bao Shuen	(Non-executive)
Mr Samuel Kong	(Non-executive)
Mr Mark Ryan	(Non-executive)
Mr Voiron Chor	(Non-executive)

**Company secretary**

Mr Andrew Lord  
Lovegrove and Lord, Commercial & Construction Lawyers  
Level 2, 405 Little Bourke Street  
Melbourne, Victoria 3000  
Australia  
Tel: +61 (0) 3 9600 3522

**Registered Office**

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Tel: +61 (0) 3 9600 3522

**Share Registry**

Link Market Services Ltd  
Level 4, 333 Collins Street  
Melbourne, Victoria 3000  
Australia  
Tel: +61 (0) 3 9615 9932

**Bankers**

Commonwealth Bank of Australia

**Auditors**

Ernst & Young  
Ernst & Young Building  
8 Exhibition Street  
Melbourne, Victoria 3000  
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**Corporate Governance Statement**

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The Board of directors of CordLife Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of CordLife Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises CordLife's compliance with the CGC's recommendations.

**Principle 1 - Lay solid foundations for management and oversight**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 4
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 6
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	

**Principle 2 - Structure the Board to add value**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
2.1	A majority of the Board should be independent directors.	Yes	Page 5
2.2	The chair should be an independent director.	No	Page 5 & 6
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 6
2.4	The Board should establish a nomination committee.	Yes	Page 7
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Remuneration Report
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	

**Principle 3 - Promote ethical and responsible decision-making**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>&gt; The practices necessary to maintain confidence in the company's integrity.</li> <li>&gt; The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li> <li>&gt; The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Website
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 7 & Website
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	

**Principle 4 - Safeguard integrity in financial reporting**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
4.1	The Board should establish an audit committee.	Yes	Page 8
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>&gt; Consists only of non-executive directors</li> <li>&gt; Consists of a majority of independent directors</li> <li>&gt; Is chaired by an independent chair, who is not chair of the Board</li> <li>&gt; Has at least three members</li> </ul>	Yes	Page 8
4.3	The audit committee should have a formal charter.	Yes	Page 8
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	

**Principle 5 - Make timely and balanced disclosure**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	

**Principle 6 - Respect the rights of shareholders**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 10
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	

**Principle 7 - Recognise and manage risk**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 8
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes	Page 8
7.3	The Board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 9
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	

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**Principle 8 – Remunerate fairly and responsibly**

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference / explanation</b>
8.1	The Board should establish a Remuneration Committee.	Yes	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 9 Remuneration report
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

CordLife Limited's corporate governance practices were in place throughout the year ended 30 June 2009.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by CordLife Limited, refer to our website: [www.cordlife.com](http://www.cordlife.com)

**Board Functions**

The Board is responsible to shareholders for the performance of the Group and for the overall corporate governance of Cordlife.

This role encompasses the determination of Cordlife's goals and strategic direction and ensures timely and accurate communications to shareholders. The Board has established policies in respect of Board responsibilities and delegations of authority for the appropriate management of the Group's operations. The Board has developed management policies and procedures addressing statutory financial reporting, Board and management financial reporting and controls, information technology security, management and staff performance reviews and remuneration and internal controls for business risk management. The Board continues to develop management policies and procedures. The Board is responsible for appointing the Chief Executive Officer and reviewing his performance. The Chief Executive Officer is responsible for the overall implementation and management of the policies and strategies established by the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- > Audit;
- > Nomination; and
- > Remuneration.

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The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- > Board approval of a strategic plan designed to manage the business.
- > Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of CordLife.
- > Implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

- > Approval of the annual and half-yearly financial reports.
- > Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- > Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.

### **Structure of the Board**

CordLife's policy governing Board composition requires the Chairman to be an independent Non-executive director and requires the Board to strive to have a majority of the Board to be independent Non-executive directors. In assessing independence, the Board has regard to the ASX Guidelines and the independence of each director is monitored by the Board on an ongoing basis in light of disclosed interests. As at the date of this annual financial report the Board has determined that all Cordlife directors are independent, other than Mr Steven Fang and Mr Jeremy Yee. The Board strives to ensure its composition includes an appropriate mix of expertise and experience relevant to Cordlife's business activities conducive to making expedient decisions in the best interests of CordLife. The relevant skills, experience and expertise of each Board member is set out in the Directors' Report page 11. The Board recognises the importance of each director bringing independent judgment to bear in the Board's decision making process. Accordingly, all directors have access to independent professional advice at CordLife's expense with the approval of the Chairman.

The Board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The Board further recognises that given Mr Kam's indirect shareholding, it may be argued that he does not meet the definition of independence.

The Board believes that given Mr Kam's industry experience, he is the most appropriate person to lead the Board and that he brings independence to all relevant issues falling within the scope of the role of Chairman and that the Group as a whole benefits from his long standing experience and knowledge of its operations and business relationships.

## Cordlife Ltd

### Corporate Governance Statement

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The Board is currently composed of two Executive and four Non-executive directors. CordLife's Constitution specifies the number of directors shall not be less than three. During the year, the Board comprised:

<b>Name</b>	<b>Position</b>
Kam Yuen	Chairman (Non-executive, appointed on 23 October 2008)
Steven Fang	Executive Director (Chief Executive Officer)
Jeremy Yee	Executive Director (Chief Financial Officer)
Seow Bao Shuen	Non-Executive Director (resigned on 22 September 2009)
Samuel Kong	Non-Executive Director
Mark Ryan	Non-executive Director (appointed on 12 February 2009)
Voiron Chor	Non-executive Director (appointed on 12 February 2009)
Christopher Fullerton	Chairman (Non-executive, resigned as Chairman on 23 October 2008, resigned as Non-executive on 12 February 2009)
Peter E. Roberts	Non-executive Director (appointed on 12 February 2009)

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at CordLife's expense.

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in Office</b>
Steven Fang	5 years 7 months
Jeremy Yee	1 year 11 months
Samuel Kong	2 years 1 month
Kam Yuen	11 months
Mark Ryan	7 months
Voiron Chor	7 months

### Performance

The Board has committed to future annual reviews of its performance, individually and collectively, as well as annual reviews of key Group management against measurable and qualitative indicators.

The Group's Human Resources Management Plan encompasses a structured training and development program for all employees including management, which is directly aligned to achieving the Group's business objectives.

During the reporting period, the Nomination Committee conducted performance evaluations that involved an assessment of each key executive's performance against specific and measurable qualitative and quantitative performance criteria.

Directors whose performance is consistently unsatisfactory may be asked to retire.

**Trading policy**

Under CordLife's Securities Trading Policy, an executive or director must not trade in any securities of CordLife at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Directors, the CEO, consultants, members of senior management and other employees must first obtain consent before commencing to trade from:

- the Chairman in the case of directors and the CEO;
- the Audit Committee and Company Secretary in the case of the Chairman
- the CEO in the case of officers, consultants, members of senior management and other employees.

In addition the following blackout periods are imposed prior to and post publication of quarterly, half yearly and annual reporting:

- two weeks before and one day after CordLife is required to release quarterly cash flow announcements. Quarterly cash flow announcements are released on the last business day of January, April, July and October.
- four weeks before and one day following the announcement of the half yearly and full year results as the case may be.
- One day following the release of price sensitive information.

As required by the ASX Listing Rules, CordLife notifies the ASX of any transaction conducted by directors in the securities of CordLife.

**Nomination Committee**

The primary purpose of the Nomination Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors.

The Nomination Committee comprised the following members throughout the year:

The members of the Nomination Committee during the year ended 30 June 2009 were Mr Christopher Fullerton (Chairman) (resigned on 12 February 2009), Mr Peter Roberts (resigned on 12 February 2009) and Ms Seow Bao Shuen (resigned on 22 September 2009). On the resignation of Mr Christopher Fullerton and Mr Peter Roberts, Mr Kam Yuen and Mr Samuel Kong joined the Nomination Committee.

As there were changes to the composition of the Board during the year with the resignations of Mr Christopher Fullerton and Mr Peter Roberts and the unanimous consent to the appointments of Mr Kam Yuen, Mr Mark Ryan and Mr Voiron Chor, there was no separate Nomination Committee meeting.

For additional details regarding the Nomination Committee including its charter please refer to our website.

### Audit committee

The Audit Committee operates under a charter approved by the Board. The main objectives of the Audit Committee are to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information to users of our financial report;
- application of accounting policies;
- financial management;
- internal control system;
- risk management system;
- business policies and practices;
- protection of the entity's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

The members of the Audit Committee during the year ended 30 June 2009 were Mr Peter Roberts (Chairman) (resigned on 12 February 2009) and Ms Seow Bao Shuen (who was rotated on 12 February 2009).

On 12 February 2009, Mr Voiron Chor and Mr Samuel Kong were appointed. At that time Mr Mark Ryan was also appointed as Chairman.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report page 17.

For additional details regarding the Audit Committee, including a copy of its charter, please refer to our website.

### Risk

The Board acknowledges the *Revised Supplementary Guidance to Principle 7* issued by the ASX in June 2008 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of CordLife's approach to creating long-term shareholder value.

The risks associated with CordLife's business are wide ranging and include the following:

- complex government and health regulations which are subject to change; and
- significant level of funding required over a long period of time.

The consideration and approval by the Board each year of the Group's strategy, business plans and financial budgets involve identification of significant risks and the implementation of appropriate strategies to deal with them. The Board also requires management reporting against projected results. The Board receives monthly reports by management on the Group's financial performance and business development activities.

The Board has delegated responsibility for the maintenance and review of policies and procedures on risk oversight and management to the Chief Executive Officer. The Board has developed a policy which requires written assurances from the Chief Executive Officer and the Chief Financial Officer to the effect that:

- statements in accordance with the ASX Guidelines, given in respect of the integrity of financial statements, are founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### **CEO and CFO certification**

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their view provided on CordLife's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board
- CordLife's risk management and internal compliance and control system is operating effectively in all material respects

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

#### **Remuneration**

It is CordLife's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective CordLife has implemented an incentive scheme which is available to employees of CordLife. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of high quality management to CordLife.
- Performance incentives that allow executives to share in the success of CordLife Ltd.

For details of the remuneration received by directors and senior executives in the current period please refer to the remuneration report, which is contained within the Directors' Report page 18.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and executive team. The Board has established a Remuneration Committee.

On 30 January 2009, it was resolved that the members of the Remuneration Committee would comprise all Members of the Board and all effective remuneration decisions are made by the Board through Board meetings. Prior to that, the Remuneration Committee comprised Mr Christopher Fullerton (Chairman) (resigned on 12 February 2009) Mr Steven Fang, Ms Seow Bao Shuen and Mr Samuel Kong.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report page 17.

For additional details regarding the Remuneration Committee, including a copy of its charter, please refer to our website.

#### **Shareholder communication policy**

Pursuant to Principle 6, CordLife's objective is to promote effective communication with its shareholders at all times.

CordLife is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about CordLife's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act 2001 in Australia.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and Notices of Annual General Meeting
- By posting relevant information on CordLife's website.

CordLife's website [www.cordlife.com](http://www.cordlife.com) has a dedicated Investor Relations section and for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

## Cordlife Ltd

### Directors' Report

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The directors of Cordlife Ltd (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

The names and particulars of the directors of the Company during or since the end of the financial year are as below. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Kam Yuen	<p>Chairman (Non-executive) appointed on 23 October 2008. Mr Kam has substantial experience in the healthcare industry and is the founder of Golden Meditech Company Limited, a leading healthcare corporation in China providing integrated healthcare in cordblood banking, medical devices, healthcare services and natural herbal medicines. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the People's Republic of China in 1985 and has over 20 years of management experience in international business.</p> <p>Mr Kam holds directorship in another listed company, Golden Meditech Company Limited.</p>
Steven Fang (Fang Boon Sing) CIM (UK), MBA	<p>Executive Director and Chief Executive Officer. Mr Fang founded Cordlife Pte Ltd in Singapore in 2001 and negotiated the merger with Cytomatrix LLC, leading to the establishment of Cordlife Ltd. He has great depth of knowledge of the healthcare provider business, with over 15 years of sales and business development experience in the USA and Asia Pacific region. He previously worked for Sterling Withthrop, Baxter and Becton Dickinson, having undertaken business development assignments in Malaysia, Korea, Taiwan and the Philippines, including the establishment of private dialysis centers. At Becton Dickinson he was the General Manager for Singapore, Malaysia and Vietnam. He has a degree in Computer Engineering and completed his MBA with the University of Hull (UK) in business strategy. He is currently a council member of the Singapore British Business Council and International Enterprise Singapore's Action Community for Entrepreneurship – Internationalisation Action Crucible (IAC). He was previously also the Chairman of Bio Singapore and the President of Spirit of Enterprise (Singapore).</p>

Name	Particulars
Christopher Maxwell Fullerton BEc	<p>Non-executive Director resigned on 12 February 2009. Mr Fullerton is the Managing Director of Mandalay Capital Pty Ltd, an investor in listed securities and private equity. He has extensive experience in investment, management and investment banking and worked in Hong Kong and Singapore for 15 years before returning to Australia in 1992. He holds a Bachelor of Economics degree from Sydney University and qualified as a Chartered Accountant. His previous chairmanships include Health Communication Network Ltd (a developer and distributor of healthcare software applications), Crossfield InTech (a development capital investor focusing on the IT sector) and Standard Chartered Australia. His previous directorships include the Federal Airports Corporation.</p> <p>During the past three years, Mr Fullerton held/ holds directorships in the following other listed companies - Health Communication Network Ltd, The Environmental Group Ltd and Working Systems Solutions Ltd.</p>
Peter Evan Roberts BEc, FCA	<p>Non-executive Director resigned on 12 February 2009. Mr Roberts has more than 35 years experience in business. Currently, he is the Managing Director of Jennmar Australia Pty Ltd, a privately owned manufacturing enterprise, and a non-executive director of IMD Group Ltd, a company listed on the ASX. His previous experience includes 21 years with PricewaterhouseCoopers, Chartered Accountants, 12 years as a partner. He holds a Bachelor of Economics degree from Sydney University and is a Fellow of the Institute of Chartered Accountants of Australia.</p> <p>During the past three years, IMD Group Ltd represented the other listed company directorship held by Mr Roberts (he is currently a director in this company).</p>
Seow Bao Shuen BA (Econ)	<p>Non-executive Director resigned on 22 September 2009. Ms Seow has more than 10 years of management experience in strategic formulation, business development and the implementation of management policies. She was previously a director in Citiraya Industries Ltd, before forming a venture capital fund, BS Fund Management, and property investments group, BS Capital. She is currently Managing Director of Cimelia Resource Recovery Pte Ltd, an electronic waste recycling and precious metals refinery leader. She also sits on the board of Singapore stock exchange listed company Enviro-Hub Holdings Ltd.</p> <p>During the past three years, Ms Seow held/ holds directorships in the following listed companies - Citiraya Industries Ltd and Enviro-Hub Holdings Ltd.</p>

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Name	Particulars
Voiron Chor	Non-executive Director appointed on 12 February 2009. Mr Chor is a Vice President of Private Wealth Management for Morgan Stanley Asia Limited. Prior to that he was a Director of Investment Consulting at Credit Suisse. He has over 10 years experience in financial investment and research in capital markets. Mr Chor holds a masters of Finance from RMIT University Melbourne.
Samuel Kong (Kong Kam Yu) ACA	Non-executive Director. Mr Kong graduated from the Imperial College of London in 1992 and qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales in 1995. He has worked for a number of accounting firms, including a leading international accounting firm before joining a listed healthcare group in Hong Kong 2001. He is currently responsible for the listed group's finances, corporate projects and company secretarial matters.
Jeremy Yee ( Yee Pinh) BA ( Econ) ( Hons), M Com BCom (Prof Acct)	<p>Executive Director and Chief Financial Officer. Mr Yee joined Cordlife in 2002 and has been a key executive in the establishment. Prior to the Group's IPO on the ASX, he was the Group COO. Previously, he worked full time as a consultant with one of the "Big 4" accounting firms where he provided professional advice and consultation to a wide spectrum of businesses including e-commerce, consumer products and services, finance, media and healthcare. In addition, he has provided advice to companies and financial institutions on risk management and worked on IPOs for medium sized companies in Singapore. He graduated with a BA(Econ)(Hons) and later attained a BCom (Prof Acct) and a MCom in Finance, Banking and Management.</p> <p>He is also a member of the Australian Institute of Banking and Finance (AAIBF) and the Global Association of Risk Professionals (GARP). At the 2009 Business Leader organised by SPRING Singapore, Jeremy was awarded the Advanced Management Programme (AMP) to pursue his Executive Masters in Business Administration (EMBA) at Nanyang Business School, Nanyang Technology University.</p>
Mark Ryan B Com, ACA	Non-executive Director appointed on 12 February 2009. Mr Ryan is the Accounting and Finance Director of the Kellogg Joint Venture Gorgon, a multinational consortium engaged to engineer, procure and construct an LNG processing facility in the north-west of Australia. The project has a capital expenditure budget in excess of \$25 billion. Mr Ryan's previous corporate experience has included roles as financial controller and company secretary. He was a Supervisor of Taxation at Price Waterhouse (formerly Coopers & Lybrand) for 6 years.

## Cordlife Ltd

### Directors' Report

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#### Company secretary

The Company Secretary, Mr Andrew Lord (BSc, LLB), was appointed on 16 April 2004. He is a member of the Law Institute of Victoria and is admitted as a Barrister and Solicitor to the High Court of Australia and the Supreme Court of Victoria. He is a principle of Lovegrove and Lord, Commercial & Construction Lawyers. He is an independent contractor of the Company and invoices the Company from time to time based on hours worked on an hourly rate.

#### Corporate information

##### *Corporate structure and principal activities*

Cordlife Ltd is a company limited by shares, incorporated in Australia and operating in Australia and Asia. Cordlife Ltd is the ultimate holding company of the Group. The shares of the Company are publicly traded on the Australian Stock Exchange.

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial year were the provision of cord blood banking services, which involves the processing and storage of stem cells.

#### Operating and financial review

The Cordlife Ltd Group (the "Group") continued to grow significantly in its core business of cord blood banking in the year ended 30 June 2009. The Group's operations in both Singapore and Hong Kong were profitable, helping to increase the Group's FY 2009 net profit to \$4,494,000, as compared to the FY 2008 loss of \$125,000.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") is \$6,207,000 compared to \$1,267,000 in FY 2008. The Group has a tax expense of \$1,056,000, which resulted in an overall group profit from operations attributable to members of \$4,224,000.

Revenue from cord blood banking services was \$22,949,000 as compared to \$14,078,000, an increase of approximately 63%. This substantial growth took place predominantly across Cordlife's smaller markets of Singapore and Hong Kong. Concurrently, the Group committed to several substantial marketing and promotional activities in India and Indonesia during the financial year. The continual marketing and promotional financial commitments are necessary to provide a springboard for the future growth of the Group in the long term.

Other income consisted of a gain on dilution of our interest in Biocell Pty Ltd, a subsidiary of Cordlife Ltd prior to its merger, amounting to \$1,416,000. Details of the transaction are set out in Note 21.

Distribution and marketing expenses were \$4,287,000 as compared to \$2,602,000 in FY 2008. This increase is mainly due to the increase in advertising and promotional activities carried out in FY 2009. The additional promotional activities had been planned and comprised of additional financial commitments to increase existing market share as well as laying the appropriate marketing infrastructure in the new markets.

Administrative costs were higher in the current year as compared to the previous year due to expansion and growth of the cord blood banking business regionally, which resulted in higher staff costs. There were additional headcounts, annual wage supplements and increments in salaries resulting from good performance and promotions of employees during the financial year.

The Group views the continual investment in its people, financial commitments to building its branding across all regions and an unwavering pursuit of product innovation/ differentiation as key platforms for sustainable growth.

***Cord blood banking business***

The cord blood banking business grew substantially during the year, with revenue from services rendered increasing by 63% over the previous year. The number of clients signed-up during the year increased by over 30% compared to the previous year. As at 30 June 2009, total client numbers exceeded 21,000 and the Group expects this level of growth to continue in the following financial year.

*Singapore:*

The Singapore facility is the first and still the only AABB accredited cord blood bank in South-east Asia. Cordlife's Singapore operations were profitable for the entire financial year predominantly due to an increase in the number of new client sign-ups, delivery and storage of cord blood. The company remains the market leader in Singapore. The additional sign ups were the result of more effective market positioning, local branding as well as product innovation.

*Hong Kong:*

Cordlife's Hong Kong operations grew by 75% over the previous year in terms of new clients signed-up. The Group continued to invest in marketing activities in Hong Kong in an effort to grow its market size. Advertising and promotion costs as well as costs associated with the ISO audit contributed to the higher costs of the company but also led to more client sign-ups and hence, increased revenue in the financial year.

*Indonesia:*

Cordlife's Indonesia operations grew by 32% over the previous year in terms of new clients signed-up. Cordlife's Jakarta facility is the only approved facility by the Indonesian Department of Health ("DEPKES") to offer umbilical cord blood banking services in the country. Hence, it is the only licensed private cord blood bank in Indonesia today. The Group expects its Indonesian market to grow further in the financial year 2010, with continual and growing efforts to consolidate the market space in Jakarta. In addition, there are also plans to further expand into the regional metropolitan cities of the country. Cordlife continues to offer options to clients in Indonesia to either store locally in Jakarta or in Singapore.

*India:*

The Group's India operations were in place for the full financial year in FY09. It is expected that client numbers and revenues will be boosted further when Cordlife India grows progressively. The company currently has a license to operate a full umbilical cord blood processing and storage facility in Kolkata and throughout India, after attaining relevant regulatory approvals from both the State and Central Health Authorities in FY 2008. Cordlife India is still in its infancy today but promises to be a key market for the Group in the coming years.

*Australia:*

During the year, the Group's interest in its 57% owned Australian subsidiary, Biocell Pty Ltd was diluted as a result of its merger with CellSense Pty Ltd. Cordlife Ltd now owns 28.4% of Biocell. Biocell was subsequently renamed Australian Stem Cell Healthcare Pty Ltd and is now the largest private cord blood bank in Australia. Details of the transaction are set out in Note 21.

## **Cordlife Ltd**

### **Directors' Report**

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#### *Other Regions:*

The Company incurred costs on promotion of its services in Thailand and the Philippines, where it operates through sales offices.

#### **Changes in state of affairs**

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to above or in the financial statements or notes thereto.

#### **Subsequent events**

Refer to Note 26 for details of subsequent events.

#### **Future developments**

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, other than as stated elsewhere in this report, this information has not been disclosed further.

#### **Environmental regulations**

The principal activities of the Company and its controlled entities did not create any significant environmental impact to any material extent.

#### **Earnings per share**

Basic and diluted earnings per share was 4.57 and 4.49 cents respectively (2008: loss per share of 0.3 cents). For details refer to Note 19 to the financial statements.

#### **Dividends**

The Company did not pay any dividends during the financial year. The directors do not recommend the payment of a dividend in respect of the financial year.

## Cordlife Ltd

### Directors' Report

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#### Share options

During and since the end of the financial year no share options were granted to the directors and executives of the Company or the Group, other than those detailed in the Remuneration Report.

As at 30 June 2009, there are 1,318,324 unissued shares under options. These shares will be issued by Cordlife Limited upon exercise of the options and 1,318,324 ordinary shares will be issued. The issue price of these shares will be the share price as at the exercise date. Refer to the remuneration report for further details of the options outstanding.

#### Indemnification of directors and officers

During the financial year, the Company has made an agreement with an insurer to indemnify all the directors and officers for an aggregate limit of liability of \$10,000,000 for all insuring clauses, for all claims for the period of insurance as per the agreement.

The total amount of insurance contract premiums paid during the financial year was \$73,620 (2008: \$44,438).

#### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, nine Board meetings and two Audit Committee meetings were held. Prior to 30 January 2009 when the decision was made to have all remuneration decisions rest with the full Board, one Remuneration Committee meeting had been held.

Directors	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Christopher Fullerton	6	6	–	–	–	–	1	1
Steven Fang	9	9	–	–	–	–	1	1
Seow Bao Shuen	9	7	1	1	–	–	1	1
Peter Roberts	6	6	1	1	–	–	–	–
Samuel Kong	9	9	2	2	–	–	1	1
Jeremy Yee	9	9	–	–	–	–	–	–
Kam Yuen	7	7	–	–	–	–	–	–
Voiron Chor	3	3	1	1	–	–	–	–
Mark Ryan	3	3	1	1	–	–	–	–

## Cordlife Ltd

### Directors' Report

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#### Directors' shareholdings

The following table sets out each director's relevant interest in equity instruments comprising shares and options in shares of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares	Partly paid ordinary shares	Executive share options
<b>Cordlife Ltd</b>			
Kam Yuen	17,525,000	–	–
Steven Fang	6,564,960	–	165,000
Jeremy Yee	654,367	–	166,666
Samuel Kong	–	–	–
Mark Ryan	65,233	–	–
Voiron Chor	–	–	–

#### Remuneration report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the main activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel (including the five highest executives of the Company and the Group)

##### **Directors:**

Kam Yuen	(Chairman, non-executive, appointed on 23 October 2008)
Steven Fang	(Director, executive)
Jeremy Yee	(Director, executive)
Seow Bao Shuen	(Director, non-executive, resigned on 22 September 2009)
Samuel Kong	(Director, non-executive)
Mark Ryan	(Director, non-executive, appointed on 12 February 2009)
Voiron Chor	(Director, non-executive, appointed on 12 February 2009)
Christopher Fullerton	(Chairman, non-executive, resigned as Chairman on 23 October 2008, resigned as non-executive on 12 February 2009)
Peter E. Roberts	(Director, non-executive, resigned on 12 February 2009)

##### **Executives:**

Susan Kheng	(Group General Manager)
Jonathan Liao	(Head of Business Development, KMP from 1 October 2008)
Simon Hoo	(Senior Finance and Investments Manager)
Gwendolene Yeo	(General Manager - Singapore)
Emily Cheung	(General Manager - Hong Kong, KMP from 1 October 2008)
Simon Lee	(Corporate Development Officer, KMP until 1 October 2008)
Sher Min Gaspar	(Senior Business Development Manager, KMP until 1 October 2008)

There were no changes of the CEO or key management personnel after reporting date and before the date the financial report was authorised for issue.

## Remuneration report (Audited) (cont'd)

### *Remuneration philosophy*

The performance of the Company and its controlled entities depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Company's remuneration framework is embodied with the principles of providing competitive rewards to attract high calibre executives and link executive rewards to shareholder value.

### *Remuneration structure*

In accordance with best practice corporate governance, the structure of non-executive director and executive director/senior executive remuneration is separate and distinct.

### *Non-executive director remuneration*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Under the Company's constitution, the directors are to be paid such remuneration not exceeding an amount that is authorised by an ordinary resolution of the Company approved in general meeting. The non-executive directors are currently entitled to receive up to an aggregate of \$250,000, to be divided between them as directors' fees.

### *Executive remuneration*

#### Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks
- Align the interests of executives with those of shareholders
- Ensure total remuneration is competitive by market standards

#### Structure

A detailed contract of employment has been entered into with the Chief Executive Officer and standard rolling contracts with other executives. Details of these contracts are provided below.

**Remuneration report (Audited) (cont'd)**

Remuneration consists of the following key elements:

- Fixed remuneration ( base salary, superannuation and non-monetary benefits)
- Variable remuneration - Options and Performance Rights Plan (LTI)
  - Bonus (STI)

Fixed remuneration

Objective

Fixed remuneration for executive directors is reviewed annually by the non executive directors. The process consists of a review of Group, business unit and individual performance and relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Board has access to external advice independent of management.

Structure

Executives receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Variable remuneration - short term incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's targets with the remuneration received by the executives charged with meeting those targets.

Structure

Actual STI payments granted to each executive depend on the extent to which specific Key Result Areas (KRAs) set at the beginning of financial year are met. The KRAs relate to financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue based on client sign-ups, customer services, risk management, product management and leadership contributions. These measures were chosen as they represent the key drivers for the short term success of the business.

On an annual basis, after consideration of performance against KRAs, the Board and management will determine the amount, if any, of the short term incentive to be paid to each executive. This process usually happens two months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

STI bonus for 2009

For 2009, \$233,000 of STI cash bonus had been accrued. The full amount has been paid in the following financial year.

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**Remuneration report (Audited) (cont'd)**

Variable remuneration – long term incentive (LTI)

Objective

The objective of the LTI plan is to reward key management personnel in a manner that aligns remuneration with the creation of shareholder wealth.

Structure

LTI grants to key management personnel are delivered in the form of share options under the Options and Performance Rights Plan. The details of the plan are stated below.

*Options and Performance Rights Plan*

An equity incentive plan, the Options and Performance Rights Plan ("Plan") was introduced on 23 November 2005 at the Company's Annual General Meeting to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. The Plan was administered by the Remuneration Committee up until 30 January 2009 and subsequent to this date it is now administered by the Board. The directors and employees of Cordlife Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Board of Directors.

The number of ordinary shares in the Company acquired or subscribed for or issued upon exercise of a performance right or option under the Plan must not, when aggregated with any other ordinary shares issued under the Plan in the Company held by the participating directors or executives, exceed 10% of the total ordinary shares in the Company issued at the time of issue of the performance rights or options.

In 2007, performance rights allocations were made to key management personnel. Each allocation comprised three tranches and each tranche covered a financial year (2006, 2007, 2008). The vesting of each tranche is dependent on the meeting of Key Result Areas (KRAs) and a service period of each individual. The KRAs relate to financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue based on client sign-ups, customer service, risk management, product management and leadership contributions. These measures were chosen as they represent the key drivers for success of the business and provide a framework for delivering long-term value.

On an annual basis, the Remuneration Committee up until 30 January 2009 and subsequently the Board, in line with their responsibilities, determine for each key management personnel whether they have met their performance vesting conditions. This process usually occurs within 3 months after the reporting date.

In September 2007, the performance hurdles for the third and final tranche of share options for FY 2008 were established and approved. The options had all vested by 30 June 2009. The exercise price of all options granted is \$0.00 per option.

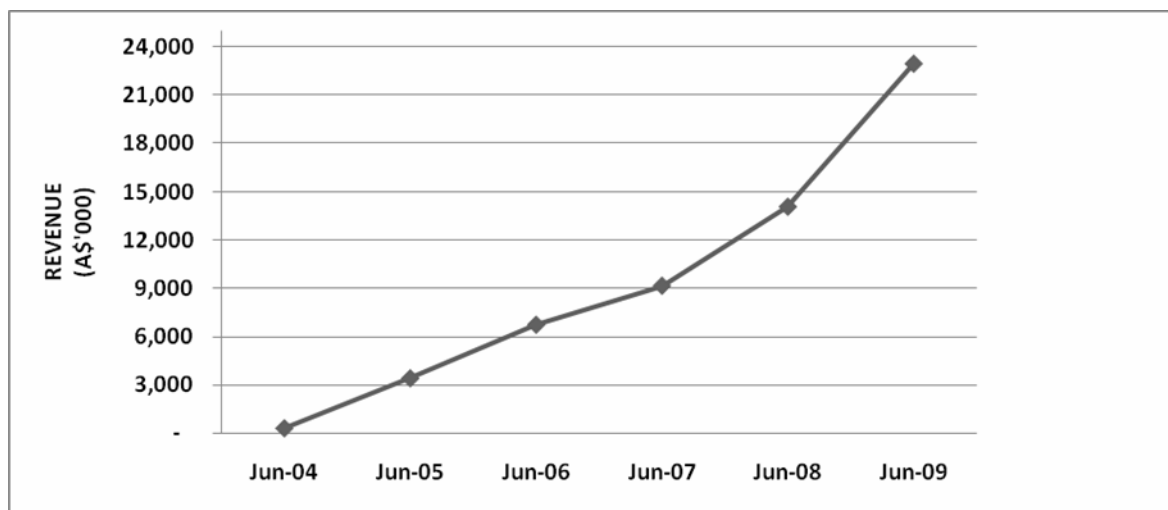
No share options were issued to KMPs during the year ended 30 June 2009.

*Group performance*

Group performance is reflected in the movement of the Group's revenue over time. Revenue reflects the growth and performance of the Group and revenue is largely based on the number of client sign-ups. The graph below shows the Group's revenue history over the past five years (including the current period).

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Remuneration report (Audited) (cont'd)



\* From 19 February 2004 being the date of listing on the ASX to 30 June 2004

*Employment contracts*

The Chief Executive Officer, Mr Steven Fang, is employed under contract. The key features of the contract may be summarised as follows:

- Mr Steven Fang receives fixed base salary of \$278,244 and a fixed transport allowance of \$14,546 per annum.
- The Company may terminate the Mr Fang's employment by giving 3 months' written notice to Mr Fang and may make payment to him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;
- The Company may terminate the Mr Fang's appointment immediately without notice (or payment in lieu of notice) if Mr Fang:
  - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
  - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
  - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;
  - becomes mentally incapable;
  - is made bankrupt;
  - is charged with any criminal offence which may bring the Company into disrepute;
  - breaches any material provision of the contract.

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**Remuneration report (Audited) (cont'd)**

- Mr Fang may terminate his employment by giving a period of notice of 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to Mr Fang an amount representing the number of weeks or days of the notice period he did not work.

The other key executives are also under rolling employment contracts, the key features of which are as follows:

- Payment of fixed remuneration (base salary, superannuation, transport allowance and non-monetary benefits);
- The Company may terminate the employee's employment by giving 2 to 3 months' written notice to the employee and may make payment to the him in a sum equal to the base salary he would have earned if he had been given the relevant period of notice;
- The Company may terminate the employee's appointment immediately without notice (or payment in lieu of notice) if the employee:
  - fails or refuses to comply with a reasonable and lawful direction given to him by the Company;
  - is, in the reasonable opinion of the Company, guilty of serious and wilful neglect or misconduct in the discharge of his duties;
  - has committed a serious breach, or is persistently in breach of any term of the contract and has failed to remedy such breach within 14 days of being requested by the Company in writing to do so;
  - becomes mentally incapable;
  - is made bankrupt;
  - is charged with any criminal offence which may bring the Company into disrepute;
  - breaches any material provision of the contract.
- The employee may terminate the employment by giving a period of notice of 2 to 3 months in writing. Failure to give such notice entitles the Company to deduct from any monies owing to the employee an amount representing the number of weeks or days of the notice period the employee did not work.

**Remuneration report (Audited) (cont'd)***Remuneration of Key Management Personnel of the Company and the Group*

The following table discloses the remuneration of the directors of the Company:

**Remuneration for the year ended 30 June 2009**

Director	Short-Term			Post Employment		Share-based Payment	Other benefits	Total	Performance related %
	Salary and fees \$	Bonus \$	Others <sup>^</sup> \$	Super-annuation \$	Other \$				
<b>Executive directors</b>									
Steven Fang	299,589	23,187	14,546	6,345	–	54,000	–	397,667	19.4
Jeremy Yee	187,542	14,515	14,546	6,345	–	54,545	–	277,493	24.9
<b>Non-executive directors</b>									
Kam Yuen*	40,000	–	–	–	–	–	–	40,000	–
Seow Bao									
Shuen	45,000	–	–	–	–	–	–	45,000	–
Samuel Kong	45,000	–	–	–	–	–	–	45,000	–
Mark Ryan@	17,301	–	–	1,557	–	–	–	18,858	–
Voiron Chor@	17,301	–	–	–	–	–	–	17,301	–
Christopher Fullerton#	32,869	–	–	2,958	–	–	–	35,827	–
Peter Roberts#	27,869	–	–	–	–	–	–	27,869	–
<b>Company Secretary</b>									
Andrew Lord	53,615	–	–	–	–	–	–	53,615	–

<sup>^</sup> Other short-term remuneration relates to payment for transport allowances

\* Appointed 23 October 2008

@ Appointed 12 February 2009

# Resigned 12 February 2009

**Remuneration for the year ended 30 June 2008**

Director	Short-Term			Post Employment		Share-based Payment	Other benefits	Total	Performance related %
	Salary and fees \$	Bonus \$	Others <sup>^</sup> \$	Super-annuation \$	Other \$				
<b>Executive directors</b>									
Steven Fang	278,244	–	9,761	8,943	–	174,675	–	471,623	37.0
Jeremy Yee*	172,860	–	9,761	8,943	–	107,167	–	298,731	35.9
<b>Non-executive directors</b>									
Christopher Fullerton	60,000	–	–	5,400	–	–	–	65,400	–
Christopher Ho#	15,000	–	–	–	–	–	–	15,000	–
Alberto Bautista#	15,000	–	–	–	–	–	–	15,000	–
Seow Bao									
Shuen	45,000	–	–	–	–	–	–	45,000	–
Peter Roberts	45,000	–	–	–	–	–	–	45,000	–
Samuel Kong@	43,911	–	–	–	–	–	–	43,911	–
<b>Company Secretary</b>									
Andrew Lord	48,969	–	–	–	–	–	–	48,969	–

## Cordlife Ltd

### Directors' Report

#### Remuneration report (Audited) (cont'd)

\* Jeremy Yee's remuneration includes \$86,764 as company executive prior to his appointment as Director on 14 December 2007

^ Other short-term remuneration relates to payment for transport allowances

# Resigned 7 November 2007

@ Appointed 10 July 2007

The following table discloses the remuneration of executives (excluding executive directors of Cordlife Ltd) of the Company and of the consolidated entity:

#### Remuneration for the year ended 30 June 2009

Executive	Short-Term			Post Employment		Share-based Payment	Other benefits	Total	Performance related %
	Salary and fees	Bonus	Others^	Super-annuation	Other				
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Consolidated entity</b>									
Susan Kheng	94,136	7,342	18,494	8,598	–	27,273	–	155,843	22.2
Simon Hoo	74,977	6,007	12,515	8,337	–	10,909	–	112,745	15.0
Jonathan Liau*	69,830	5,562	12,515	8,272	–	10,909	–	107,088	15.4
Gwendolene Yeo	74,554	5,859	11,124	8,114	–	10,909	–	110,560	15.2
Emily Cheung*	81,240	12,672	6,213	2,112	–	8,182	–	110,419	18.9
Simon Lee#	28,392	2,214	3,754	2,137	–	6,818	–	43,315	20.9
Sher Min Gaspar#	19,909	1,553	2,781	2,041	–	1,364	–	27,648	10.6

^ Other short-term remuneration relates to payment for transport allowances

\* Jonathan Liau and Emily Cheung met the definition of key management personnel on 1 October 2008

# Ceased to be a key management personnel on 1 October 2008 due to changes in roles and responsibilities

#### Remuneration for the year ended 30 June 2008

Executive	Short-Term			Post Employment		Share-based Payment	Other benefits	Total	Performance related %
	Salary and fees	Bonus	Others^	Super-annuation	Other				
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Consolidated entity</b>									
Simon Lee	88,416	–	9,441	6,089	–	40,227	–	144,173	27.9
Susan Kheng	73,846	–	9,441	6,089	–	40,227	–	129,603	31.0
Sher Min Gaspar*	61,072	–	8,392	6,089	–	8,920	–	84,473	10.6
Simon Hoo*	50,194	–	6,993	6,089	–	17,841	–	81,117	22.0
Gwendolene Yeo*	53,613	–	6,993	6,089	–	17,841	–	84,536	21.1

^ Other short-term remuneration relates to payment for transport allowances.

\* Sher Min Gaspar, Simon Hoo and Gwendolene Yeo met the definition of key management personnel on 1 July 2007.

**Cordlife Ltd**

**Directors' Report**

**Remuneration report (Audited) (cont'd)**

**Compensation options: Granted and vested for year ended 30 June 2009**

	Granted		Terms & Conditions for each Grant					Vested	
	No.	Grant date	Fair value per option on grant date (\$)	Exercise price per option (\$)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
<b>Executive Directors</b>									
Steven Fang	-	-	-	-	-	-	-	165,000	50
Jeremy Yee	-	-	-	-	-	-	-	166,666	50
<b>Other key management personnel</b>									
Susan Kheng	-	-	-	-	-	-	-	88,334	50
Simon Hoo	-	-	-	-	-	-	-	33,333	50
Jonathan Liao	-	-	-	-	-	-	-	33,333	50
Gwendolene Yeo	-	-	-	-	-	-	-	33,333	50
Emily Cheung	-	-	-	-	-	-	-	25,000	50
<b>Total</b>								<b>544,999</b>	

**Compensation options: Granted and vested for year ended 30 June 2008**

	Granted		Terms & Conditions for each Grant					Vested	
	No.	Grant date	Fair value per option on grant date (\$)	Exercise price per option (\$)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
<b>Executive Directors</b>									
Steven Fang	187,500	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	210,000	50
Jeremy Yee	183,333	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	199,999	50
<b>Other key management personnel</b>									
Simon Lee	83,334	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	83,334	50
Susan Kheng	83,334	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	83,334	50
Sher Min Gaspar	16,667	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	16,667	50
Simon Hoo	33,333	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	33,333	50
Gwendolene Yeo	33,333	1-Sep-07	0.60	0.00	1-Jul-13	1-Jul-09	1-Jul-13	33,333	50
<b>Total</b>	<b>620,834</b>							<b>660,000</b>	

## Remuneration report (Audited) (cont'd)

## Options granted as part of remuneration for year ended 30 June 2009

Directors	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	% Remuneration consisting of options for the year
<b>Executive directors</b>					
Steven Fang	–	58,800	–	58,800	13.6
Jeremy Yee	–	56,000	–	56,000	19.7
<b>Non-executive directors</b>					
Mark Ryan	–	6,400	–	6,400	–
<b>Other key management personnel</b>					
Susan Kheng	–	23,333	–	23,333	17.5
Simon Hoo	–	9,333	–	9,333	9.7
Jonathan Liau	–	10,000	–	10,000	10.2
Gwendolene Yeo	–	9,333	–	9,333	9.9
Emily Cheung	–	7,750	–	7,750	7.4

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

## Options granted as part of remuneration for year ended 30 June 2008

Directors	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	% Remuneration consisting of options for the year
<b>Executive directors</b>					
Steven Fang	174,675	93,750	–	268,425	37.0
Jeremy Yee	107,167	100,000	–	207,167	35.9
<b>Other key management personnel</b>					
Susan Kheng	40,227	62,500	–	102,727	31.0
Simon Lee	40,227	62,500	–	102,727	27.9
Sher Min Gaspar	8,920	7,000	–	15,920	10.6
Simon Hoo	17,841	25,000	–	42,841	22.0
Gwendolene Yeo	17,841	25,000	–	42,841	21.1

## Remuneration report (Audited) (cont'd)

## Shares issued on exercise of share options

## 30 June 2009

Directors	Shares issued No.	Paid per share \$	Unpaid per share \$
<b>Non-Executive directors</b>			
Mark Ryan	26,666	–	–
<b>Executive directors</b>			
Steven Fang	210,000	–	–
Jeremy Yee	199,999	–	–
<b>Other key management personnel</b>			
Susan Kheng	83,334	–	–
Simon Hoo	33,333	–	–
Jonathan Liao	33,333	–	–
Gwendolene Yeo	33,333	–	–
Emily Cheung	25,000	–	–

## 30 June 2008

Directors	Shares issued No.	Paid per share \$	Unpaid per share \$
<b>Executive directors</b>			
Steven Fang	125,000	–	–
Jeremy Yee	133,334	–	–
<b>Other key management personnel</b>			
Susan Kheng	83,334	–	–
Simon Lee	83,333	–	–
Sher Min Gaspar	16,667	–	–
Simon Hoo	33,334	–	–
Gwendolene Yeo	33,334	–	–

**Cordlife Ltd**

**Directors' Report**

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**Proceedings on behalf of the Company**

There were no proceedings on behalf of the Company during or since the end of the financial year.

**Auditor independence and non-audit services**

*Independence declaration*

The directors obtained a declaration of independence from the auditors, Ernst and Young, a copy of which follows the Audit Opinion.

*Non-audit services*

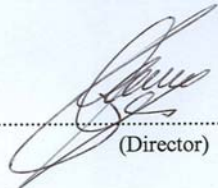
The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$15,668
Tax advisory services	\$29,925
Professional training services	\$18,540

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the Board



(Director)

Steven Fang  
Director

28 September 2009

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## Independent auditor's report to the members of Cordlife Limited

### Report on the Financial Report

We have audited the accompanying financial report of Cordlife Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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*Auditor's Opinion*

In our opinion:

1. the financial report of Cordlife Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the financial position of Cordlife Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 18 to 28 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Cordlife Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in blue ink that reads "Don Brumley".

Don Brumley  
Partner  
Melbourne  
28 September 2009

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Cordlife Ltd

**Auditor's Independence Declaration**

---



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**Auditor's Independence Declaration to the Directors of Cordlife Limited**

In relation to our audit of the financial report of Cordlife Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in blue ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in blue ink that reads "Don Brumley".

Don Brumley  
Partner  
Melbourne  
28 September 2009

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**Cordlife Ltd**

**Directors' Declaration**

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In accordance with a resolution of the directors of Cordlife Ltd, I state that:

- (1) In the opinion of the directors:
- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board



(Director)

Steven Fang  
Director

28 September 2009

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Cordlife Ltd

**Income Statement**  
**For the financial year ended 30 June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Revenue	5(a)	23,686	14,808	118	382
Cost of sales		(6,516)	(4,761)	–	–
<b>Gross profit</b>		<b>17,170</b>	<b>10,047</b>	<b>118</b>	<b>382</b>
Other income					
- Sundry income	5(a)	29	71	6	12
- Gain on loss of control of subsidiary	5(a)	1,416	–	–	–
Distribution and marketing expenses		(4,287)	(2,602)	(24)	(29)
Share of results of associates	9	(8)	(110)	–	–
Administration expenses		(8,746)	(6,688)	(2,947)	(2,505)
Finance costs	5(b)	(24)	(17)	–	–
<b>Profit/(loss) before income tax</b>		<b>5,550</b>	<b>701</b>	<b>(2,847)</b>	<b>(2,140)</b>
Income tax expense	6	(1,056)	(826)	–	–
<b>Net profit/ (loss) after income tax</b>		<b>4,494</b>	<b>(125)</b>	<b>(2,847)</b>	<b>(2,140)</b>
Net profit attributable to minority interests		(270)	(134)	–	–
<b>Net profit/ (loss) for the year attributable to members</b>		<b>4,224</b>	<b>(259)</b>	<b>(2,847)</b>	<b>(2,140)</b>
<b>Earnings per share for profits/ (losses) attributable to the ordinary equity holders of the Company:</b>					
Basic EPS (cents per share)	19	4.57	(0.3)		
Diluted EPS (cents per share)	19	4.49	(0.3)		

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Cordlife Ltd

Balance Sheet  
As at 30 June 2009

		Consolidated		Company	
	Note	2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	27	7,978	8,364	863	4,331
Trade and other receivables	7	9,272	3,735	2,153	750
Inventories	8	281	132	–	–
Other financial assets	16	2,371	–	–	–
<b>Total current assets</b>		<b>19,902</b>	<b>12,231</b>	<b>3,016</b>	<b>5,081</b>
<b>Non-current assets</b>					
Investments in subsidiaries	21	–	–	32,892	33,818
Investments in associates	9	–	231	396	723
Property, plant and equipment	10	1,155	1,241	26	29
Trade and other receivables	7	15,433	11,253	1,504	1,928
Intangible assets and goodwill	11	27,545	27,803	–	–
Available-for-sale investment	14	–	–	–	–
Deferred tax asset	6	8	–	–	–
<b>Total non-current assets</b>		<b>44,141</b>	<b>40,528</b>	<b>34,818</b>	<b>36,498</b>
<b>Total assets</b>		<b>64,043</b>	<b>52,759</b>	<b>37,834</b>	<b>41,579</b>
<b>Current liabilities</b>					
Trade and other payables	12	2,541	2,084	358	1,594
Deferred revenue	13	2,928	486	–	–
Income tax payable		1,871	1,500	–	–
Interest bearing borrowings	15	919	–	–	–
Finance lease liability	20	11	11	–	–
<b>Total current liabilities</b>		<b>8,270</b>	<b>4,081</b>	<b>358</b>	<b>1,594</b>
<b>Non-current liabilities</b>					
Deferred revenue	13	2,238	1,689	–	–
Finance lease liability	20	–	9	–	–
Deferred tax liabilities	6	–	20	–	–
<b>Total non-current liabilities</b>		<b>2,238</b>	<b>1,718</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>10,508</b>	<b>5,799</b>	<b>358</b>	<b>1,594</b>
<b>Net assets</b>		<b>53,535</b>	<b>46,960</b>	<b>37,476</b>	<b>39,985</b>
<b>Equity</b>					
Contributed equity	17	76,357	76,361	76,357	76,361
Currency translation reserve	18	21	(1,640)	–	–
Employee equity benefits reserve	18	1,773	1,431	1,773	1,431
Accumulated losses		(25,733)	(29,957)	(40,654)	(37,807)
<b>Parent entity interest</b>		<b>52,418</b>	<b>46,195</b>	<b>37,476</b>	<b>39,985</b>
Minority interests		1,117	765	–	–
<b>Total equity</b>		<b>53,535</b>	<b>46,960</b>	<b>37,476</b>	<b>39,985</b>

**Cordlife Ltd**

**Cash Flow Statement**  
**For the financial year ended 30 June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		20,236	10,213	–	–
Payments to suppliers and employees		(18,997)	(13,819)	(582)	(1,070)
Interest received		175	737	117	387
Interest and other costs of finance paid		(28)	(7)	–	–
Income taxes paid		(746)	–	–	–
<b>Net cash from/ (used in) operating activities</b>	27(c)	<u>640</u>	<u>(2,876)</u>	<u>(465)</u>	<u>(683)</u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(353)	(885)	–	–
Purchase of equity investment		–	–	–	(86)
Net cash disposed of from loss of control of subsidiary		(176)	–	–	–
Transfer to term deposits		(2,371)	–	–	–
<b>Net cash used in investing activities</b>		<u>(2,900)</u>	<u>(885)</u>	<u>–</u>	<u>(86)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares in a subsidiary to minority shareholders		11	118	–	–
Proceeds from issue of shares		–	7,976	–	7,976
Advances to related parties		–	–	(3,003)	(4,124)
Payment for transaction costs on issue of shares		–	(27)	–	(27)
<b>Net cash from/(used in) financing activities</b>		<u>11</u>	<u>8,067</u>	<u>(3,003)</u>	<u>3,825</u>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<u>(2,249)</u>	<u>4,306</u>	<u>(3,468)</u>	<u>3,056</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>8,364</u>	<u>4,420</u>	<u>4,331</u>	<u>1,275</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies		944	(362)	–	–
<b>Cash and cash equivalents at the end of the financial year</b>	27(a)	<u><u>7,059</u></u>	<u><u>8,364</u></u>	<u><u>863</u></u>	<u><u>4,331</u></u>

Cordlife Ltd

Statement of Changes in Equity  
For the financial year ended 30 June 2009

Consolidated

	Attributable to equity holders of the parent				Minority	Total
	Contributed equity \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Employee equity benefits reserve \$'000	Interests \$'000	Equity \$'000
<b>At 1 July 2007</b>	<b>68,412</b>	<b>(1,170)</b>	<b>(29,698)</b>	<b>577</b>	<b>591</b>	<b>38,712</b>
Currency translation differences	-	(470)	-	-	(84)	(554)
Net income and expense recognised directly in equity	-	(470)	-	-	(84)	(554)
Net loss for the year	-	-	(259)	-	134	(125)
Total recognised income and expense for the year	-	(470)	(259)	-	50	(679)
Issuance of shares	7,976	-	-	-	-	7,976
Transaction costs on issue of shares	(27)	-	-	-	-	(27)
Share based payments	-	-	-	854	-	854
Share of equity	-	-	-	-	124	124
<b>At 30 June 2008</b>	<b>76,361</b>	<b>(1,640)</b>	<b>(29,957)</b>	<b>1,431</b>	<b>765</b>	<b>46,960</b>

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Cordlife Ltd

Statement of Changes in Equity  
For the financial year ended 30 June 2009

Consolidated

	Attributable to equity holders of the parent				Minority	Total
	Contributed equity \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Employee equity benefits reserve \$'000	Interests \$'000	Equity \$'000
<b>At 1 July 2008</b>	<b>76,361</b>	<b>(1,640)</b>	<b>(29,957)</b>	<b>1,431</b>	<b>765</b>	<b>46,960</b>
Currency translation differences	-	1,661	-	-	65	1,726
Net income and expense recognised directly in equity	-	1,661	-	-	65	1,726
Net profit for the year	-	-	4,224	-	270	4,494
Total recognised income and expense for the year	-	1,661	4,224	-	335	6,220
Transaction costs on issue of shares	(4)	-	-	-	-	(4)
Share based payments	-	-	-	342	-	342
Share of equity	-	-	-	-	17	17
<b>At 30 June 2009</b>	<b>76,357</b>	<b>21</b>	<b>(25,733)</b>	<b>1,773</b>	<b>1,117</b>	<b>53,535</b>

**Cordlife Ltd**

**Statement of Changes in Equity  
For the financial year ended 30 June 2009**

**Company**

	<b>Contributed equity \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Employee equity benefits reserve \$'000</b>	<b>Total equity \$'000</b>
<b>At 1 July 2007</b>	68,412	(35,667)	577	33,322
Net loss for the year	–	(2,140)	–	(2,140)
Total recognised income and expense for the year	–	(2,140)	–	(2,140)
Issuance of shares	7,976	–	–	7,976
Transaction costs in issue of shares	(27)	–	–	(27)
Share based payments	–	–	854	854
<b>At 30 June 2008</b>	<b>76,361</b>	<b>(37,807)</b>	<b>1,431</b>	<b>39,985</b>

	<b>Contributed equity \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Employee equity benefits reserve \$'000</b>	<b>Total equity \$'000</b>
<b>At 1 July 2008</b>	76,361	(37,807)	1,431	39,985
Net loss for the year	–	(2,847)	–	(2,847)
Total recognised income and expense for the year	–	(2,847)	–	(2,847)
Transaction costs in issue of shares	(4)	–	–	(4)
Share based payments	–	–	342	342
<b>At 30 June 2009</b>	<b>76,357</b>	<b>(40,654)</b>	<b>1,773</b>	<b>37,476</b>

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**1. Corporate information**

The financial report of Cordlife Ltd (the "Company") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 28 September 2009.

Cordlife Ltd (the parent) is a company limited by shares, incorporated in Australia and currently operating in Australia and Asia. Cordlife Ltd is the ultimate holding company of the Group. The shares of the Company are publicly traded on the Australian Stock Exchange.

The Company's registered office and principal place of business is located at Level 2, 405 Little Bourke Street, Melbourne, Victoria 3000, Australia.

The Company and its controlled entities' ("consolidated entity") principal activities in the course of the financial year were the provision of cord blood banking services, which involves the processing and storage of stem cells.

**2. Summary of significant accounting policies**

(a) ***Basis of Preparation***

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on the basis of historical cost except as disclosed in the accounting policies below.

All values contained in this financial report have been rounded to the nearest thousand Australian dollars unless otherwise stated under the option available to the Company under ASIC Class Order 98/100.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(b) ***Statement of compliance***

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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## 2. Summary of significant accounting policies (cont'd)

(c) **Australian Accounting Standards and Interpretations not yet effective**

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	The Interpretation is unlikely to have any impact on the Group as the Group does not currently hedge the foreign currency risk arising on its net investments in foreign operations.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard and so will have no direct impact on the amounts included in the Group's financial statements. The amendments may however have an impact on the Group's segment disclosures.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group does not currently have borrowings associated with qualifying assets and therefore these amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments will affect the presentation of the Group and Company's financial statements only and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. The Group is in the process of determining the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	If the Group enters into some business combinations during the next financial year the revised standard will be applicable. The Group has yet to determine which accounting policy will be adopted.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p> <p>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.</p> <p>The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].</p>	1 January 2009	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.  Refer to AASB 2008-5 above for more details.	1 July 2009	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.  AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> <li>▶ quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</li> <li>▶ inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and</li> <li>▶ inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	All financial instruments that Cordlife measures at fair value will need to be disclosed by the source of inputs, using the three-level hierarchy. Level 3 financial instruments will require increased disclosures. Financial instruments held by the Company and Group that are measured at fair value would be classified as Level 3.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRSs</i>. The amendments pertaining to IFRS 5, 8, IAS 1, 7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).</p>	1 July 2009	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2009

## 2. Summary of significant accounting policies (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	<p>The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:</p> <ul style="list-style-type: none"> <li>▶ the scope of AASB 2; and</li> <li>▶ the interaction between IFRS 2 and other standards.</li> </ul> <p>An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p> <p>A “group” has the same meaning as in IAS 27 <i>Consolidated and Separate Financial Statements</i>, that is, it includes only a parent and its subsidiaries.</p> <p>The amendments also incorporate guidance previously included in IFRIC 8 <i>Scope of IFRS 2</i> and IFRIC 11 <i>IFRS 2—Group and Treasury Share Transactions</i>. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.</p>	1 January 2010	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2010

**2. Summary of significant accounting policies (cont'd)**

**(d) *Subsidiaries and basis of consolidation***

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

In the company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges.

The consolidated financial statements comprise the financial statements of Cordlife Ltd and its subsidiaries as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of profit/(loss) after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

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2. Summary of significant accounting policies (cont'd)

(e) **Foreign currency translation**

(i) *Functional and presentation currency*

Both the functional and presentation currency of Cordlife Ltd and its Australian subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) *Translation of Group Companies functional currency to presentation currency*

The results of the subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance sheet date.

Exchange variations resulting from the translation are recognized in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary was sold, the proportionate share of exchange differences would be transferred out of equity and recognized in the income statement.

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**2. Summary of significant accounting policies (cont'd)**

(f) ***Property, plant and equipment***

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	-	3 to 5 years
Plant and equipment	-	3 to 10 years
Leasehold improvements	-	3 years
Motor vehicles	-	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the asset is derecognised.

*Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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2. Summary of significant accounting policies (cont'd)

(g) **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Borrowing costs*

Borrowing costs are recognised as an expense when incurred.

(h) **Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is so allocated includes (see Note 11):

- Cord blood banking business in Singapore; and
- Cord blood banking business in Hong Kong

Refer Note 11 for details of the third cash generating unit that was in place until 29 December 2008.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Cordlife Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for the two cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in Note 11.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

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2. Summary of significant accounting policies (cont'd)

(i) ***Intangible assets - software***

Software acquired is initially measured at cost. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Software is amortised on a straight line basis over 3 years. The amortisation period and the amortisation method is reviewed at each financial year-end.

*Derecognition and disposal*

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(j) ***Impairment of non-financial assets other than goodwill***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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2. Summary of significant accounting policies (cont'd)

(k) **Available-for-sale financial assets**

Available-for-sale investments in the scope of AASB 139 Financial Instruments : Recognition and Measurement are those non-derivative financial assets that are designated as available-for-sale. When these financial assets are recognised initially, they are measured at fair value. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognized in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include : using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(l) **Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*

Revenue from cord blood banking contracts is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to the percentage of costs incurred to estimated total costs to complete the contracts.

Where services are being provided under cord blood banking contracts, revenue is only recognised to the extent that services are being rendered, with the remaining being accounted for as deferred revenue on the balance sheet.

*Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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2. Summary of significant accounting policies (cont'd)

(m) **Trade and other receivables**

Current trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or long overdue debts are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Non-current trade receivables are carried at amortised cost less allowance for impairment. The expected net cash flows have been discounted to their present value using market determined risk adjusted discount rates for respective entities in the Group.

Non-current trade receivables represents cord blood banking service revenues receivable under annual, five year and ten year plans that have yet to be billed to the customer. Upon billing, the billed amount will be receivable under the same terms as current trade receivables.

Intercompany receivables are accounted for using the same accounting policy as above except that intercompany receivables are repayable upon demand.

(n) **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits that are held for the purpose of meeting short term commitments and not for investment purposes and are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing borrowings in current liabilities on the balance sheet.

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2. Summary of significant accounting policies (cont'd)

(o) **Share-based payment transactions**

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Currently the company has an Options and Performance Rights Plan in place to provide these benefits. Further details of the Plan are set out in Note 22.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes Pricing Model, further details of which are given in Note 22.

In valuing equity-settled transactions, account is taken of any vesting conditions and there are no conditions linked to the price of the shares of Cordlife Ltd (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Cordlife Ltd to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Cordlife Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

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**2. Summary of significant accounting policies (cont'd)**

**(o) Share-based payment transactions (cont'd)**

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(p) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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**2. Summary of significant accounting policies (cont'd)**

(q) ***Inventories***

Inventories of the Group are carried at cost and consist of collection kit boxes used in the provision of a service.

(r) ***Investment in associates***

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and at cost less any accumulated impairment losses in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, the investment in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where the reporting dates of the associates and the Group are not identical, the details are taken from the latest available financial statements of the companies concerned, made up to the financial year of the Group. The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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2. Summary of significant accounting policies (cont'd)

(s) **Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- where the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case, a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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**2. Summary of significant accounting policies (cont'd)**

(s) ***Income tax (cont'd)***

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(t) ***Other taxes***

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) ***Derecognition of financial instruments***

(i) ***Financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

(ii) ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2. **Summary of significant accounting policies (cont'd)**

(v) ***Trade and other payables***

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(w) ***Employee benefits***

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities in respect of employee service up to the reporting date for wages and salaries and annual leave expected to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Any provision made in respect of long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(x) ***Contributed equity***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) ***Earnings per share***

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares.

(z) ***Segment reporting***

A business segment is a distinguishable component of the group that is engaged in providing services that are subject to risks and returns that are different to those of other operating business segments. A geographical segment is a distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

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**3. Significant accounting judgments, estimates and assumptions**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 11.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes Pricing model, with the assumptions detailed in Note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*Allowance for impairment loss on trade receivables*

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. Details of the impairment loss allowance is outlined in Note 7.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for equipment). In addition, the condition of the assets are assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 10.

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**3. Significant accounting judgements, estimates and assumptions (cont'd)***Revenue recognition*

The Group recognises revenue from cord blood banking service contracts based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2(l). Significant assumptions and estimates are required in determining the stage of completion, total estimated costs, revenue and deferred revenue. In making the assumptions, the Group evaluates them by relying on past experience and evidence.

**4. Financial risk management objectives and policies**

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management processes and initiatives. The Group manages its financial risks to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees management's processes for managing each of these risks as summarised below. The Company believes that it is crucial for all Board members to be a part of this process.

**(a) Interest rate risk**

The Group's key exposure to cash flow market interest rate risk is from the Group's cash and cash equivalents and other financial assets which relate to term deposits of varying lengths. The details of cash balances required to meet short term commitments is disclosed in Note 27. Cash held as security against a bank overdraft facility is disclosed in Note 16.

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risks on its interest income by placing cash balances in deposits of varying maturities to access the strongest interest rates available and conserve the capital base of those funds.

The Group will also be subject to fair value risk on its long term receivables in future. This is a direct result of carrying them at amortised cost using an effective interest rate that is likely to differ from market interest rates during the term of the cord blood banking service plans in place.

Movements in interest rates will therefore have an impact on the Company and the Group. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/loss and equity would have been affected as follows:

	<b>Net profit Higher/ (Lower) 2009 \$'000</b>	<b>Net loss Higher/ (Lower) 2008 \$'000</b>	<b>Equity Higher/ (Lower) 2009 2008 \$'000 \$'000</b>	
Judgements of reasonably possible movements :				
<b>Consolidated</b>				
+ 1% ( 100 basis points)	94	(84)	94	84
- 0.5% ( 50 basis points)	(47)	42	(47)	(42)
<b>Parent</b>				
+ 1% ( 100 basis points)	8	(43)	8	43
- 0.5% ( 50 basis points)	(4)	22	(4)	(22)

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4. **Financial risk management objectives and policies (cont'd)**

(b) **Foreign currency risk**

As a result of significant operations in Singapore, Hong Kong, Indonesia and India the Group's balance sheet can be affected by movements in the S\$/A\$, HK\$/A\$, IDR/A\$ and INR/A\$ exchange rates. The Group did not seek to hedge this exposure as the currency positions in S\$, HK\$, IDR and INR are considered to be long-term in nature.

(c) **Credit risk**

Credit risk arises from the financial assets of the Group, which comprise mainly of cash and cash equivalents, other financial assets and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Trade receivables comprise amounts due from parents and therefore the individuals cannot be subject to the types of credit assessments that could be otherwise undertaken if dealing with a corporate entity. As such, the Group can potentially be subject to credit risks. To mitigate such risks, receivable balances are monitored on a regular basis with the result that the Group's exposure to bad debts to date has not been significant.

The nature of the cord blood banking business whereby the child's umbilical cord stem cells are stored with the Group reduces the likelihood of default in payment.

There are no significant concentrations of credit risk within the Group.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain adequate funding to meet the operating requirements of the business and to facilitate the Group's ongoing growth plans.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets.

At balance sheet date, the Group has cash and cash equivalents and term deposits of \$9,430,000 and unused credit facilities for its immediate use of \$1,219,000. Hence, the Group's exposure to liquidity risk is minimal.

## 5. Revenue and expenses

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) <b>Revenue</b>				
Revenue from the rendering of services	22,949	14,078	–	–
<b>Other revenue</b>				
Interest revenue	185	410	118	382
Trade receivable discount adjustments	552	320	–	–
<b>Total revenue</b>	<u>23,686</u>	<u>14,808</u>	<u>118</u>	<u>382</u>
<b>Other income</b>				
Government grants and contracts	–	61	–	–
Gain on loss of control of subsidiary (refer Note 21)	1,416	–	–	–
Net foreign exchange gain	14	–	–	12
Other	15	10	6	–
	<u>1,445</u>	<u>71</u>	<u>6</u>	<u>12</u>
<b>Total revenue and other income</b>	<u><u>25,131</u></u>	<u><u>14,879</u></u>	<u><u>124</u></u>	<u><u>394</u></u>

## 5. Revenue and expenses (cont'd)

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>(b) Expenses</b>				
Finance costs				
- Interest on bank overdraft	24	17	-	-
Depreciation of property, plant and equipment	595	524	14	12
Amortisation of intangible assets:				
- Software	38	25	-	-
Operating lease rental expenses	525	451	15	12
Employee benefits expense:				
- Wages and salaries	6,068	4,217	550	891
- Defined contribution plan expense	519	353	18	23
- Share-based payment expense	342	854	134	387
	6,929	5,424	702	1,301
Allowance for impairment in controlled entities	-	-	58	36
Allowance for impairment in amount owing from controlled entities	-	-	109	12
Loss on loss of control of subsidiary	-	-	946	-
Net foreign exchange loss	-	101	303	-
Other expenses:				
- Legal and professional	148	100	9	38
- Travel	846	776	257	420
- Consultancy	319	327	21	80
- Advertising and promotion	1,608	673	-	1
- Impairment loss on investment in associates	122	-	122	-
- Impairment loss on available-for-sale investment	231	-	335	-

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## 6. Income tax

(a) *Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate*

A reconciliation between tax expense and the product of accounting profit/ (loss) before tax multiplied by the Group's applicable income tax rate is as follows :

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before income tax	5,550	701	(2,847)	(2,140)
Income tax expense calculated at the Group's statutory income tax rate of 30% (2008: 30%)	1,665	210	(854)	(642)
Expenses not deductible for tax purposes	301	–	472	131
Income not subject to tax	(469)	(31)	–	–
Tax losses and temporary differences not brought to account as deferred tax asset	833	1,301	382	511
Utilisation of tax benefits not recognized in prior years	(83)	(170)	–	–
Differences in tax rates	(1,064)	(484)	–	–
Over provision in prior years	(66)	–	–	–
Others	(61)	–	–	–
Income tax expense	1,056	826	–	–

(b) *Income tax expense*

The components of income tax expense in the income statement are :

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current income tax	1,088	806	–	–
Deferred income tax:				
- Relating to origination and reversal of temporary differences	(32)	20	–	–
	1,056	826	–	–

## 6. Income tax (cont'd)

(c) *Recognised deferred tax assets and liabilities*

## Consolidated

	Balance sheet		Income statement	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax liabilities</b>				
Accelerated depreciation: property, plant and equipment	11	20	(9)	20
<b>Deferred tax assets</b>				
Tax allowances	(19)	–	(19)	–
Exchange differences	–	–	(4)	–
Deferred income tax (benefit)/ expense			(32)	20
Deferred tax (assets)/liabilities	(8)	20		

The taxation benefits of certain tax losses and temporary differences have not been brought to account since it is not probable whether future assessable income would be derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised.

The deferred tax assets arising from revenue tax losses of the controlled entities not brought to account is \$838,000 (2008: \$1,359,000).

## 7. Trade and other receivables

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade receivables	8,380	3,307	–	–
Allowance for impairment loss	(293)	(78)	–	–
	8,087	3,229	–	–
Goods and services tax (GST) receivable	139	104	11	10
Interest and other receivables	554	357	83	77
Amount owing from associates	492	45	203	44
Amounts owing from controlled entities *	–	–	1,856	619
	9,272	3,735	2,153	750

\* Amounts owing from controlled entities are stated after deducting allowance for impairment of \$265,000 (2008: \$156,000).

**7. Trade and other receivables (cont'd)****Terms and conditions**

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade receivables are non-interest bearing and generally on 30 to 60 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.
- (ii) Interest receivables are due on maturity of fixed deposits. These fixed deposits have a maturity of three to twelve months.
- (iii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iv) Amounts owing from controlled entities are unsecured, interest-free and are repayable upon demand.

**Allowance for impairment loss**

Trade and other receivables are non-interest bearing. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment loss of \$215,000 (2008: \$27,000) has been recognised by the Group and \$109,000 (2008: \$nil) by the Company in the current year. These amounts have been included in the administration expense item.

Movements in the provision of impairment loss were as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
At 1 July	78	51	156	2,832
Charge for the year	215	27	109	–
Amounts written off against provision	–	–	–	(2,676)
At 30 June	293	78	265	156

At 30 June, the ageing analysis of current trade receivables is as follows:

	Total	0 – 30 Days	31 – 60 days	61 – 90 days	>90 days CI*	>90 Days PDNI*
2009 Consolidated	8,380	3,646	867	847	293	2,727
2008 Consolidated	3,307	722	325	425	78	1,757

\* Past due not impaired ('PDNI')  
Considered impaired ('CI')

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**7. Trade and other receivables (cont'd)**

Receivables past due but not impaired are \$2,727,000 (2008: \$1,757,000). All of the customers are parents. Given the nature of cord blood banking business whereby the child's umbilical cord stem cells are stored with the Company, the likelihood of default in payment is considered minimal. Each operating unit has been in direct contact with the relevant customer and is satisfied that payment will be received in full.

Other balances within trade and other receivables, other than those stated above, do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade receivables	15,433	11,253	–	–
Amount owing from controlled entity	–	–	1,504	1,928
At 30 June	<u>15,433</u>	<u>11,253</u>	<u>1,504</u>	<u>1,928</u>

Non-current trade receivables represent cord blood banking service revenues receivable under annual, five year and ten year plans that have yet to be billed to the customer. Upon billing, the billed amount will be receivable under the same terms as current trade receivables.

Non-current trade receivables are carried at amortised cost and are not yet due. The expected net cash flows have been discounted to their present value using market determined risk adjusted discount rates for the following entities in the Group:

- Cordlife Pte Ltd – 10% (2008: 10%)
- Cordlife (Hong Kong) Ltd – 14% (2008: 14%)
- PT Cordlife Indonesia – 14% (2008: 14%)

Non-current amount owing from controlled entity represent advances which are unsecured, interest-free and not repayable within the next 12 months.

***Fair value***

Due to the short term nature of current receivables, their carrying value is assumed to approximate their fair value. The fair value of the non-current trade receivables is equivalent to its carrying value.

***Foreign exchange and credit risk***

Refer to Note 4 for details regarding the risk exposures arising from financial assets.

**8. Inventories**

Inventories of the Group consist of consumables carried at cost that are used when rendering the cord blood processing service.

## 9. Investments in associates

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Movement in carrying amount:				
Investments in associates - at 1 July	231	341	723	723
Additions - Biocell investment	130	-	130	-
Less : Impairment	(122)	-	(122)	-
Less : Share of loss after income tax	(8)	(110)	-	-
Less : Reclassification to available- for-sale investment	(231)	-	(335)	-
At 30 June	-	231	396	723

The Group's 10% interest in Pharmacell B.V. was reduced to 3.9% during the year. Pharmacell B.V. is a company incorporated in the Netherlands and is a life sciences company providing know-how and resources for product and process design combined with GMP manufacturing in its own facility. The company is located in Maastricht, the Netherlands. The contribution of losses of this associate company to the net profit of the Group for the year ended 30 June 2009 is nil (2008: \$nil). The share of losses has been capped to the cost of the investment since 2007.

At 30 June 2009, the Group has a 25.6% equity stake in Cytomatrix Pty Ltd and its subsidiaries. The Company's investment in this has been fully impaired.

The Group has a 28.4% interest in Australian Stem Cell Healthcare Pty Ltd, previously known as Biocell Pty Ltd. It provides umbilical cord blood collection, processing, and cryopreservation services. The contribution of losses of this associate company to the net profit of the Group for the period 29 December 2008 to 30 June 2009 is \$8,000 (2008: \$nil). The share of losses has been capped to the cost of the investment less impairment during the financial year.

The Group also has a 19.7% equity stake in DNAPro Sdn Bhd, a company incorporated in Malaysia. DNAPro is engaged in manufacturing and trading of biopharmaceutical products. These include hepatitis B vaccine (recombinant) and anti-cancer and anti-AIDS vaccines. It supplies various medical products to the Malaysian government and the private sector.

**9. Investments in associates (cont'd)**

This interest was previously accounted for as an investment in associate. However, as a result of the loss of a position on the Board on 30 June 2008, the Group no longer has significant influence over the financial and operating activities of DNAPro. Prior to the loss of significant influence, the Group's share of losses was \$104,000. The investment was subsequently reclassified as an available-for-sale investment during the year.

The Company's investment in DNAPro Sdn Bhd is \$335,000 (2008: \$335,000). This is reclassified as an available-for-sale investment.

The following table illustrates summarised financial information relating to the Group's investments in associates:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
<i>Share of associates' balance sheet:</i>		
Current assets	356	406
Non-current assets	793	906
Current liabilities	(267)	(448)
Non-current liabilities	(865)	(335)
Net assets	17	529
<i>Share of associates' profit or loss:</i>		
Loss before income tax	(8)	(110)
Income tax expense	-	-
Loss after income tax	(8)	(110)

The Group has not recognised losses relating to an associate where its share of losses exceeds the Group's carrying amount of its investment in the associate. The Group's cumulative share of the unrecognised losses is \$739,000 (2008: \$437,000). The Group has no obligation in respect of these losses.

## 10. Property, plant and equipment

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Leasehold improvements				
At cost	322	267	-	-
Accumulated depreciation	(158)	(54)	-	-
	164	213	-	-
Office equipment				
At cost	1,166	941	63	53
Accumulated depreciation	(693)	(470)	(37)	(24)
	473	471	26	29
Plant and equipment				
At cost	1,194	1,027	-	-
Accumulated depreciation	(687)	(490)	-	-
	507	537	-	-
Motor vehicles				
At cost	35	32	-	-
Accumulated depreciation	(24)	(12)	-	-
	11	20	-	-
Total property, plant and equipment				
At cost	2,717	2,267	63	53
Accumulated depreciation	(1,562)	(1,026)	(37)	(24)
Total written down amount	1,155	1,241	26	29

## 10. Property, plant and equipment (cont'd)

*Reconciliation of carrying amounts at the beginning and end of period*

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Leasehold improvements				
Cost	267	95	–	–
Accumulated depreciation	(54)	(41)	–	–
Net carrying amount at beginning	213	54	–	–
Additions	25	193	–	–
Disposals	–	–	–	–
Depreciation expense	(100)	(19)	–	–
Exchange rate adjustment	26	(15)	–	–
	164	213	–	–
Office equipment				
Cost	941	813	53	24
Accumulated depreciation	(470)	(573)	(24)	(14)
Net carrying amount at beginning	471	240	29	10
Additions	243	585	14	32
Disposals	(8)	(54)	(3)	(1)
Disposal due to loss of control of subsidiary	(28)	–	–	–
Depreciation expense	(254)	(273)	(14)	(12)
Exchange rate adjustment	49	(27)	–	–
	473	471	26	29
Plant and equipment				
Cost	1,027	572	–	–
Accumulated depreciation	(490)	(319)	–	–
Net carrying amount at beginning	537	253	–	–
Additions	329	544	–	–
Disposals	(1)	(36)	–	–
Disposal due to loss of control of subsidiary	(163)	–	–	–
Depreciation expense	(229)	(220)	–	–
Exchange rate adjustment	34	(4)	–	–
	507	537	–	–
Motor vehicles				
Cost	32	38	–	–
Accumulated depreciation	(12)	(1)	–	–
Net carrying amount at beginning	20	37	–	–
Additions	–	–	–	–
Depreciation expense	(12)	(12)	–	–
Exchange rate adjustment	3	(5)	–	–
	11	20	–	–

Motor vehicle is pledged as security for the related finance lease liabilities.

## 11. Intangible assets and goodwill

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Goodwill	27,500	27,743
	<hr/>	<hr/>
Software	109	96
Accumulated amortisation	(64)	(36)
	<hr/>	<hr/>
	45	60
	<hr/>	<hr/>
	27,545	27,803
	<hr/> <hr/>	<hr/> <hr/>

The aggregate amortisation for the year was \$38,000 (2008: \$25,000). There are no intangible assets held by the Company.

**Reconciliation**

Reconciliation of the carrying amounts net of accumulated amortisation of intangible assets and goodwill at the beginning and end of the current financial year.

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Goodwill		
Cost	27,743	27,743
Accumulated amortisation	-	-
	<hr/>	<hr/>
Net carrying amount at beginning	27,743	27,743
Write-off of goodwill on dilution of Biocell investment	(243)	-
	<hr/>	<hr/>
	27,500	27,743
	<hr/> <hr/>	<hr/> <hr/>
Software		
Cost	96	73
Accumulated amortisation	(36)	(11)
	<hr/>	<hr/>
Net carrying amount at beginning	60	62
Additions	13	23
Amortisation expense	(38)	(25)
Exchange rate adjustment	10	-
	<hr/>	<hr/>
	45	60
	<hr/> <hr/>	<hr/> <hr/>

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11. Intangible assets and goodwill (cont'd)

(a) **Description of the Group's intangible assets and goodwill**

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years.

The amortisation of software has been recognised in the income statement in the line item "administration expenses".

(b) **Impairment test for goodwill**

Goodwill acquired through business combinations has been allocated to two individual cash generating units for impairment testing at year end as follows:

- Cord blood banking business in Singapore; and
- Cord blood banking business in Hong Kong

*Cord blood banking business in Singapore (including, Indonesia)*

The recoverable amount of the cord blood banking business has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management and the Board of Directors covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 11% (2008: 11%). Cash flows used beyond five years to determine terminal value until perpetuity is projected using a growth rate of 1% which is lower than the long-term average growth rate for the industry.

*Cord blood banking business in Hong Kong*

The recoverable amount of the cord blood banking business has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management and the Board of Directors covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 16% (2008: 16%). Cash flows beyond five years to determine terminal value until perpetuity is projected using a growth rate of 1% which is lower than the long-term average growth rate for the industry.

## 11. Intangible assets and goodwill (cont'd)

*Carrying amount of goodwill allocated to each of the cash generating units*

	Consolidated	
	2009	2008
	\$'000	\$'000
<b>Cash generating unit</b>		
Cord blood banking business in Singapore	22,980	22,980
Cord blood banking business in Hong Kong	4,520	4,520
Cord blood banking business in Australia (refer Note 21)	–	243
Carrying amount of goodwill	<u>27,500</u>	<u>27,743</u>

*Key assumptions used in the value in use calculations for the cash generating units for 30 June 2009 and 30 June 2008*

The following describes the key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units.

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the gross margin achieved in the year immediately before the budgeted year. Thus, values assigned to gross margins reflect past experience.
- Cash flows for the first five years are projected using a growth rate of 5%. These projections are based on financial forecasts approved by senior management and the Board of Directors.
- Cash flow projections include expected growth in new customers and expected cash flows from annual storage fees receivable.

*Sensitivity to changes in assumptions*

Management believe that no reasonable possible changes in any of the above key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

## 12. Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade payables	493	689	–	–
Goods and services tax (GST) payable	242	156	–	–
Other – non-trade payables and accruals	1,518	888	239	116
Annual leave entitlements	288	351	94	145
Amounts due to controlled entities	–	–	25	1,333
	<u>2,541</u>	<u>2,084</u>	<u>358</u>	<u>1,594</u>

**12. Trade and other payables (cont'd)*****Terms and conditions***

- (i) Trade payables, GST payable and other non-trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- (ii) Amounts due to controlled entities are interest-free and are repayable upon demand.

***Fair value***

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

***Interest rate, foreign exchange and liquidity risk***

Refer to Note 4 for details regarding risk exposures arising from financial liabilities.

**13. Deferred revenue**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred revenue (current)	2,928	486	–	–
Deferred revenue (non-current)	2,238	1,689	–	–

Deferred revenue represents revenue received in advance for services to be rendered under cord blood banking contracts.

**14. Available-for-sale investment**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Equity instruments (unquoted)	231	–	335	–
Less : Impairment loss	(231)	–	(335)	–
	–	–	–	–

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**14. Available-for-sale investment (cont'd)**

During the financial year, the Group and the Company reclassified its investment in DNAPro Sdn Bhd from an investment in associated company to an available-for-sale investment.

An impairment loss of \$231,000 and \$335,000 was subsequently recognised by the Group and the Company respectively.

**15. Interest-bearing borrowings**

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	919	–	–	–

The Group has a \$1,710,000 overdraft facility. This facility is fully secured and bears interest of 5.2% per annum. The term of this facility is 12 months and will be renegotiated in November 2009.

\$2,371,000 of the term deposits are pledged against the bank overdraft for the term of the bank overdraft.

The carrying amount approximates its fair value due to its short term nature.

**16. Other financial assets**

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Term deposits	2,371	–	–	–

Term deposits are held as security for a bank overdraft facility and have been placed with a bank with a maturity period of more than 3 months as at 30 June 2009.

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## 17. Contributed equity

	Consolidated and Company	
	2009	2008
	\$'000	\$'000
92,620,014 (2008: 91,103,344) fully paid ordinary shares	76,357	76,361
Fully paid ordinary shares :		
Balance at beginning of financial year		
- 91,103,344 ( 2008: 78,200,000) fully paid ordinary shares	76,361	68,412
Issue of shares during the year		
- 1,516,670 ( 2008: 12,903,344) fully paid ordinary shares	-	7,976
Transaction costs related to issue of shares	(4)	(27)
Balance at end of financial year	76,357	76,361

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

The Company issued 1,516,670 ordinary shares at the exercise price of \$0.00 per share upon the exercise of 1,516,670 share options by employees pursuant to the Options and Performance Rights Plan.

**Capital management**

The Group's objective when managing capital is to ensure that the Group continues as a going concern as well as to maintain optimal returns to shareholders and other benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity as well as to allow the Group to expand and pursue future investment activities.

As this is the first profitable year for the Group, no dividends have been paid to shareholders. However, to adjust the capital structure to take advantage of favourable costs of capital or high returns on assets, the Group may obtain gearing through loans and borrowings, pay dividends to shareholders, return capital to shareholders or issue new shares.

The Group is currently primarily equity-funded and raises capital from the market.

**18. Reserves*****Nature and purpose of reserves****Currency translation reserve*

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Employee equity benefits reserve*

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 22 for further details of this Plan.

**19. Earnings per share**

The following reflects the income used in the basic and diluted earnings per share computations:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
<i>(a) Earnings used in calculating earnings per share</i>		
Net profit/ (loss) attributable to ordinary equity holders of the parent	4,224	(259)
	<b>2009</b>	<b>2008</b>
	'000	'000
<i>(b) Weighted average number of shares</i>		
Weighted average number of ordinary shares for basic earnings per share	92,492	91,069
Effect of dilution:		
Share options	1,480	-
Weighted average number of ordinary shares adjusted for the effect of dilution	93,972	91,069

There are no instruments (eg share options) excluded from the calculation of diluted earnings per share in the current year that could potentially dilute basic earnings per share in the future. In 2008, potential ordinary shares arising on the exercise of share options were excluded as they were anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

**20. Commitments*****Operating lease commitments***

Operating leases relate to office premises with lease terms of between 2 to 21 years, with an option to extend for a further 1 to 3 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Within one year	390	370
After one year and not more than 5 years	587	806
More than 5 years	1,275	1,237
	2,252	2,413

***Finance lease commitments***

Commitments under finance leases as at 30 June are as follows:

	<b>Consolidated</b>			
	<b>Minimum lease payments</b>	<b>Present value of payments</b>	<b>Minimum lease payments</b>	<b>Present value of payments</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	\$'000	\$'000	\$'000	\$'000
Within one year	13	11	13	11
After one year but not more than five years	–	–	10	9
	13	11	23	20
Total minimum lease payments				
Less: Amounts representing finance charges	(2)	–	(3)	–
	11	11	20	20
Present value of minimum lease payments				

The weighted average interest rate implicit in the lease is 7% (2008: 7%).

## 21. Investments in subsidiaries

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Investment in controlled entities				
- at cost	-	-	51,862	52,736
Allocation of share based expense	-	-	816	810
Less : Allowance for impairment in controlled entities	-	-	(19,786)	(19,728)
	-	-	32,892	33,818

## Controlled entities

Name of company	Country of incorporation	Cost of investment		Percentage of equity held by the Parent	
		2009	2008	2009	2008
		\$'000	\$'000	%	%
<b>Parent entity</b>					
Cordlife Ltd	Australia				
<b>Controlled entities</b>					
Cordlife Pte Ltd	Singapore	50,000	50,000	100	100
CLS Services Pte Ltd	Singapore	753	753	100	100
Cordlife International Pte Ltd <sup>^</sup>	Singapore	-	-	100	100
Cordlife Services (S) Pte Ltd	Singapore	83	83	100	100
Cell Sciences Therapeutics Inc	USA	*	*	100	100
Cordlife (M) Sdn Bhd <sup>^</sup>	Malaysia	-	-	100	100
Cordlife Pty Ltd <sup>^</sup>	Australia	-	-	100	100
Biocell Pty Ltd <sup>@</sup>	Australia	-	874	-	57

## 21. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Cost of investment		Percentage of equity held by the Parent	
		2009 \$'000	2008 \$'000	2009 %	2008 %
<b>Controlled entities</b>					
Cordlife (Hong Kong) Ltd	Hong Kong	609	609	51	51
Shanghai Cordlife Stem Cell Research Co. Ltd <sup>^</sup>	Peoples' Republic of China	-	-	100	100
Cordlife Sciences Ltd	Thailand	101	101	100	100
CyGenics (Thailand) Ltd <sup>#</sup>	Thailand	15	15	49	49
Cordlife Sciences (India) Pvt Ltd <sup>+</sup>	India	-	-	85	85
PT Cordlife Indonesia <sup>^</sup>	Indonesia	-	-	51	51
Cordlife Medical Phils Inc.	Philippines	269	269	100	100
CLS Services B.V.	Europe	32	32	100	100
		<u>51,862</u>	<u>52,736</u>		

<sup>^</sup> Investments held by Cordlife Pte Ltd

<sup>+</sup> Investments held by Cordlife Services (S) Pte Ltd

<sup>@</sup> Disposed during the year. On 29 December 2008, Biocell Pty Ltd, previously 57% owned subsidiary of Cordlife Ltd, merged with CellSense Pty Ltd to form the largest private cord blood bank in Australia (subsequently renamed Australian Stem Cell Healthcare Pty Ltd). The transaction was implemented by Biocell acquiring the CellSense business for an issue of new Biocell shares. On completion, Cordlife Ltd owned 28.4% of Australian Stem Cell Healthcare Pty Ltd and a gain on deemed disposal of \$1,416,000 was recognised.

The results of Australian Stem Cell Healthcare Pty Ltd have been consolidated up until 29 December 2008. Subsequently, it remains as an investment in associated company.

<sup>\*</sup> Amount less than \$1,000

<sup>#</sup> Cygenics (Thailand) Ltd is considered a controlled entity as Cordlife Ltd has 99% of the voting rights and share of profits

**22. Share-based payment plan****(a) Recognised share-based payment expense**

The expense recognised during the year is as follows :

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Expense arising from equity-settled share-based payment transactions	342	854	134	387

**(b) Type of share-based payment plan**

An equity incentive plan, the Options and Performance Rights Plan ("Plan") was introduced on 23 November 2005 at the Company's Annual General Meeting to foster an ownership culture within the consolidated entity and to motivate employees and directors to achieve performance targets of their respective business units. The Plan was administered by the Remuneration Committee up until 30 January 2009 and subsequent to this date it is now administered by the Board. The directors and employees of Cordlife Ltd and its controlled entities are eligible to participate in the Plan, at the absolute discretion of the Board of Directors.

The number of ordinary shares in the company acquired or subscribed for or issued upon exercise of a performance right or option under the Plan must not, when aggregated with any other ordinary shares issued under the Plan in the company held by the participating directors or executives, exceed 10% of the total ordinary shares in the company issued at the time of issue of the performance rights or options.

In 2007, Performance rights allocations were made to employees. Each allocation comprised three tranches and each tranche covered a financial year (2006, 2007, 2008). The vesting of each tranche is dependent on the meeting of Key Result Areas (KRAs) and a service period of each individual. The KRAs relate to financial and non-financial corporate and individual measures of performance. Typically included are measures such as contribution to revenue based on client sign-ups, customer service, risk management, product management and leadership contributions. These measures were chosen as they represent the key drivers for success of the business and provide a framework for delivering long-term value.

On an annual basis, the Remuneration Committee up until 30 January 2009 and subsequently the Board, in line with their responsibilities, determine for each employee whether they have met their performance vesting conditions. This process usually occurs within 3 months after the reporting date.

In September 2007, the performance hurdles for the third and final tranche of share options for FY 2008 were established and approved.

The options had all vested by 30 June 2009. The exercise price of all options granted is \$0.00 per option. There are no cash settlement alternatives.

63,333 options were issued to employees (excluding key management personnel) during the year ended 30 June 2009. No share options were issued to KMPs.

**22. Share-based payment plan (cont'd)****(c) Summary of options granted under the Plan**

The following table illustrates the number of and movements in share options issued during the year:

	Consolidated		Company	
	2009	2008	2009	2008
Outstanding at the beginning of the year	3,066,658	2,832,507	3,066,658	2,832,507
Granted during the year	63,333	1,442,494	63,333	1,442,494
Exercised during the year *	(1,516,670)	(1,173,344)	(1,516,670)	(1,173,344)
Not granted	(294,997)	(34,999)	(294,997)	(34,999)
Outstanding at the end of the year	<u>1,318,324</u>	<u>3,066,658</u>	<u>1,318,324</u>	<u>3,066,658</u>
Exercisable at the end of the year	<u>1,254,991</u>	<u>1,948,330</u>	<u>1,254,991</u>	<u>1,948,330</u>

\* The weighted average share price at the date of exercise is \$0.27.

**(d) Weighted average exercise price**

The weighted average exercise price is \$0.00 as stipulated in the Options and Performance Rights Plan.

**(e) Weighted average fair value**

The weighted average fair value of options granted during the year was \$0.35 (2008: \$0.60).

**(f) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 3.8 years. (2008: 3.9 years).

**(g) Option pricing model**

As there are no market based performance hurdles attached to any of the share options issued to date and, the exercise price is \$0.00, the value of each share option issued is equivalent to the share price on day of grant.

**23. Segment information**

The Group's primary segment reporting format is geographical segments as the Group's risk and rates of return are affected predominantly based on the location of the Group's assets.

The Group operate in two principal geographical areas – Australia and Asia. The composition of each geographical segment is as follows:

- **Australia**            The group holding company is based in Australia and directs the growth in the business of the Group around the world as well as carries out cord blood banking services.
- **Asia**                    The group operates cord blood banking in Singapore, Hong Kong, Indonesia and India with sales office in Thailand and the Philippines.

Transfer prices between geographical segments are set at an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

**Geographical segments**

	<b>External sales</b>	<b>Inter-segment</b>	<b>Other</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Segment revenues</b>				
<b>Year ended 30.6.2009</b>				
Cord blood banking				
- Asia	22,108	–	–	22,108
- Australia	841	–	–	841
Total segment revenue				22,949
Unallocated revenue: Interest				737
Consolidated				23,686

	<b>External sales</b>	<b>Inter-segment</b>	<b>Other</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Segment revenues</b>				
<b>Year ended 30.6.2008</b>				
Cord blood banking				
- Asia	12,727	–	–	12,727
- Australia	1,351	–	–	1,351
Total segment revenue				14,078
Unallocated revenue: Interest				730
Consolidated				14,808

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## 23. Segment information (cont'd)

**Segment results**

	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
Cord blood banking:		
- Asia	6,143	4,600
- Australia	(269)	(826)
	<u>5,874</u>	<u>3,774</u>
Eliminations	-	8
<i>Unallocated:</i>		
Share of loss of associates	(8)	(110)
Share based payments expense	(342)	(854)
Gain on loss of control of subsidiary	1,416	-
Impairment loss on investment in associates	(122)	-
Impairment loss on available-for-sale investment	(231)	-
Other unallocated	(1,037)	(2,117)
	<u>5,550</u>	<u>701</u>
Profit before income tax expense	5,550	701
Income tax expense – current tax	(1,056)	(826)
	<u>4,494</u>	<u>(125)</u>

	<b>Assets</b>	<b>Liabilities</b>
	\$'000	\$'000

**Segment assets and liabilities****30.6.2009**

Cord blood banking		
- Asia	73,561	22,570
Eliminations	(10,994)	(12,724)
Unallocated	1,476	662
	<u>64,043</u>	<u>10,508</u>

	<b>Assets</b>	<b>Liabilities</b>
	\$'000	\$'000

**Segment assets and liabilities****30.6.2008**

Cord blood banking		
- Asia	53,162	8,914
- Australia	704	1,823
	<u>53,866</u>	<u>10,737</u>
Total of all segments	53,866	10,737
Eliminations	(5,959)	(5,433)
Unallocated	4,852	495
	<u>52,759</u>	<u>5,799</u>

**23. Segment information (cont'd)**

	Asia \$'000	Australia \$'000	Unallocated \$'000	Total \$'000
<b>Other segment information</b>				
<b>Year ended 30.6.2009</b>				
Depreciation and amortisation of segment assets	494	24	115	633
<b>Year ended 30.6.2008</b>				
Depreciation and amortisation of segment assets	360	64	125	549

**24. Related party disclosures****(a) Equity interests in related parties***Equity interests in controlled entities*

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 21 to the financial statements.

**(b) Transactions between subsidiaries**

During the financial year, there are marketing commission agency transactions between subsidiaries amounting to \$374,000 (2008: \$119,000). These transactions are made in arm's length transactions on standard commercial terms. The Company made advances to its subsidiaries amounting to \$3,003,000 (2008: \$4,124,000) for operational requirements. There were no other transactions between the Company and its subsidiaries or between subsidiaries during the current or the previous financial year.

**(c) Transactions with associates**

There were no transactions between the Company or any of its subsidiaries and the associates during the current financial year (2008: \$371,000).

**(d) Related party balances**

Refer to Notes 7 and 12 for information regarding outstanding related party balances at year end.

**(e) Guarantee**

Cordlife Ltd has guaranteed the bank overdraft facility of its subsidiary Cordlife Pte Ltd up to a maximum amount of \$428,000 (2008: \$382,000). At 30 June 2009, the facility amount was unused.

**(f) Key management personnel**

Details relating to KMP, including remuneration paid, are included in Note 25.

**25. Key management personnel disclosures*****Details of key management personnel****Directors:*

Kam Yuen	(Chairman, non-executive, appointed on 23 October 2008)
Steven Fang	(Director, executive)
Jeremy Yee	(Director, executive)
Seow Bao Shuen	(Director, non-executive, resigned on 22 September 2009)
Samuel Kong	(Director, non-executive)
Mark Ryan	(Director, non-executive, appointed on 12 February 2009)
Voiron Chor	(Director, non-executive, appointed on 12 February 2009)
Christopher Fullerton	(Chairman, non-executive, resigned as Chairman on 23 October 2008, resigned as non-executive on 12 February 2009)
Peter E. Roberts	(Director, non-executive, resigned on 12 February 2009)

*Executives:*

Susan Kheng	(Group General Manager)
Jonathan Liau	(Head of Business Development, KMP from 1 October 2008)
Simon Hoo	(Senior Finance and Investments Manager)
Gwendolene Yeo	(General Manager - Singapore)
Emily Cheung	(General Manager - Hong Kong, KMP from 1 October 2008)
Simon Lee	(Corporate Development Officer, KMP until 1 October 2008)
Sher Min Gaspar	(Senior Business Development Manager, KMP until 1 October 2008)

***Compensation of key management personnel***

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	1,384,523	1,111,907	832,880	743,506
Post Employment benefits	56,816	53,731	17,205	23,286
Share-based Payment	184,909	406,898	108,545	281,842
	<u>1,626,248</u>	<u>1,572,536</u>	<u>958,630</u>	<u>1,048,634</u>

## 25. Key management personnel disclosures (cont'd)

*Shareholdings of key management personnel*

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Fully paid ordinary shares of Cordlife Ltd:

	Balance at 1/7/08 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/09 No.
<i>Directors:</i>					
Kam Yuen	–	–	–	17,525,000*	17,525,000
Steven Fang	6,354,960	–	210,000	–	6,564,960
Jeremy Yee	454,368	–	199,999	–	654,367
Seow Bao Shuen	11,819,448	–	–	–	11,819,448
Samuel Kong	–	–	–	–	–
Mark Ryan	–	–	26,666	38,567#	65,233
Voiron Chor	–	–	–	–	–
Christopher Fullerton	3,000,000	–	–	(3,000,000)+	–
Peter Roberts	60,000	–	–	(60,000)+	–
<i>Executives:</i>					
Susan Kheng	490,304	–	83,334	–	573,638
Simon Hoo	33,334	–	33,333	–	66,667
Jonathan Liau@	–	–	33,333	33,334#	66,667
Gwendolene Yeo	44,598	–	33,333	–	77,931
Emily Cheung@	–	–	25,000	25,000#	50,000
Simon Lee	570,621	–	–	(570,621)^	–
Shermin Gaspar	235,251	–	–	(235,251)^	–
	<u>23,062,884</u>	<u>–</u>	<u>644,998</u>	<u>13,756,029</u>	<u>37,463,911</u>

\* Mr Kam had 11,730,000 ordinary shares prior to his appointment as KMP. 5,795,000 ordinary shares were acquired during his term as a KMP. Shares were purchased on-market and at the prevailing market share price.

# Ordinary shares held prior to appointment as KMP

^ Ceased to be a KMP on 1 October 2008 due to changes in roles and responsibilities

+ Ceased to be a KMP due to resignation on 12 February 2009

@ Jonathan Liau and Emily Cheung met the definition of key management personnel on 1 October 2008

## 25. Key management personnel disclosures (cont'd)

## Option holdings of key management personnel

30 June 2009	Balance at beginning of period 1 Jul 08	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 Jun 09	Vested at 30 June 2009		
						Total	Exercisable	Not exercisable
<b>Non-executive Directors</b>								
Mark Ryan	–	–	(26,666)	26,666 <sup>^</sup>	–	–	–	–
<b>Executive Directors</b>								
Steven Fang	375,000	–	(210,000)	–	165,000	165,000	165,000	–
Jeremy Yee	366,665	–	(199,999)	–	166,666	166,666	166,666	–
<b>Other key management personnel</b>								
Susan Kheng	166,668	–	(83,334)	–	83,334	83,334	83,334	–
Simon Lee	166,669	–	–	(166,669) <sup>*</sup>	–	–	–	–
Shermin Gaspar	33,334	–	–	(33,334) <sup>*</sup>	–	–	–	–
Simon Hoo	66,666	–	(33,333)	–	33,333	33,333	33,333	–
Gwendolene Yeo	66,666	–	(33,333)	–	33,333	33,333	33,333	–
Jonathan Liau	–	–	(33,333)	66,666 <sup>#</sup>	33,333	33,333	33,333	–
Emily Cheung	–	–	(25,000)	50,000 <sup>#</sup>	25,000	25,000	25,000	–
<b>Total</b>	<b>1,241,668</b>	<b>–</b>	<b>(644,998)</b>	<b>(56,671)</b>	<b>539,999</b>	<b>539,999</b>	<b>539,999</b>	<b>–</b>

30 June 2008	Balance at beginning of period 1 Jul 07	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 Jun 08	Vested at 30 June 2008		
						Total	Exercisable	Not exercisable
<b>Executive Directors</b>								
Steven Fang	312,500	187,500	(125,000)	–	375,000	375,000	210,000	–
Jeremy Yee	316,666	183,333	(133,334)	–	366,665	366,665	199,999	–
<b>Other key management personnel</b>								
Simon Lee	166,668	83,334	(83,333)	–	166,669	166,669	83,335	–
Susan Kheng	166,668	83,334	(83,334)	–	166,668	166,668	83,334	–
Sher Min Gaspar	33,334	16,667	(16,667)	–	33,334	33,334	16,667	–
Simon Hoo	66,667	33,333	(33,334)	–	66,666	66,666	33,333	–
Gwendolene Yeo	66,667	33,333	(33,334)	–	66,666	66,666	33,333	–
<b>Total</b>	<b>1,129,170</b>	<b>620,834</b>	<b>(508,336)</b>	<b>–</b>	<b>1,241,668</b>	<b>1,241,668</b>	<b>660,001</b>	<b>–</b>

\* Ceased to be a KMP from 1 October 2008

# Option holdings prior to appointment as KMP

<sup>^</sup> Option holdings held directly and via a related party prior to appointment as non-executive director

**26. Events after the balance sheet date*****Resignation of director***

With effect from 22 September 2009, Ms Seow Bao Shuen resigned as non-executive director of the Company.

***Increase shareholding in subsidiary, PT Cordlife Indonesia***

On 11 September 2009, the Company increased its shareholding in its subsidiary, PT Cordlife Indonesia, through a share acquisition from its Indonesia partner, PT Kalbe Farma. Cordlife Ltd and PT Kalbe Farma previously owned 51% and 49% of PT Cordlife Indonesia respectively. With this strategic move, the Company now owns 65% of the shares in PT Cordlife Indonesia and shall designate a third party to purchase the remaining 35%.

**27. Notes to the cash flow statement**

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) <i>Reconciliation of cash</i>				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:				
Cash at bank and in hand	6,609	2,744	19	52
Short-term deposits	1,369	5,620	844	4,279
Bank overdraft	(919)	–	–	–
Cash and cash equivalents	<u>7,059</u>	<u>8,364</u>	<u>863</u>	<u>4,331</u>

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

**(b) *Financing facilities***

Secured bank overdraft facility of SGD500,000, reviewed annually and payable at call:

- Amount used	–	–	–	–
- Amount unused	428	382	–	–

\$1,710,000 secured bank overdraft facility:

- Amount used	919	–	–	–
- Amount unused	791	–	–	–

## 27. Notes to the cash flow statement (cont'd)

(c) Reconciliation of net profit/ (loss) for the year after related income tax to net cash flows from operating activities:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net profit/ (loss) for the year	4,494	(125)	(2,847)	(2,140)
Depreciation and amortisation of non-current assets	633	549	14	12
Allowance for impairment of subsidiary	–	–	58	36
Interest received	–	–	–	387
Share of loss of associate company	8	110	–	–
Write-off of goodwill	243	–	–	–
Write-down of investment in associates	122	–	122	–
Impairment loss on available-for-sale investment	231	–	335	–
Share-based payment expense	342	854	134	387
Loss on loss of control of subsidiary	–	–	946	–
Exchange differences	(423)	(492)	–	–
Allowance for impairment in amount owing from subsidiaries	–	–	108	–
(Increase) in assets:				
Receivables	(9,717)	(5,311)	(959)	(1,673)
Inventories	(149)	(82)	–	–
Increase in liabilities:				
Payables	4,856	1,621	1,624	2,308
Net cash generated from / (used in) operating activities	640	(2,876)	(465)	(683)

## 28. Remuneration of auditors

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
The auditor of Cordlife Limited is Ernst and Young				
<b>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</b>				
Audit or review of the financial report of the entity and any other entity in the consolidated group	65,000	63,200	65,000	63,200
	<u>65,000</u>	<u>63,200</u>	<u>65,000</u>	<u>63,200</u>
<b>Amounts received or due and receivable by related practices of Ernst &amp; Young (Australia) for:</b>				
Audit or review of the financial report of the entity and any other entity in the consolidated group	160,160	110,000	93,000	85,350
Tax compliance services	15,668	12,224	–	–
Tax advisory services	29,925	–	–	–
Professional training services	18,540	–	–	–
	<u>224,293</u>	<u>122,224</u>	<u>93,000</u>	<u>85,350</u>
	<u>289,293</u>	<u>185,424</u>	<u>158,000</u>	<u>148,550</u>
<b>Amounts received or due and receivable by non Ernst &amp; Young audit firms for:</b>				
Audit of financial report and tax services	19,292	4,005	–	–
	<u>19,292</u>	<u>4,005</u>	<u>–</u>	<u>–</u>

## 29. Dividends

The Company did not pay any dividends during the financial year. The directors do not recommend the payment of a dividend in respect of the financial year.

Adjusted franking account balance (tax paid basis) is Nil (2008: nil).

## Cordlife Ltd

### Additional Stock Exchange Information as at 20 September 2009

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#### Number of holders of equity securities

Ordinary share capital

93,388,345 fully paid ordinary shares are held by 484 individual shareholders.

All issued ordinary shares carry one vote per share.

#### Distribution of holders of equity securities

	Fully paid ordinary shares
1 - 1,000	34
1,001 - 5,000	168
5,001 - 10,000	84
10,001 - 100,000	142
100,001 and over	56
	<b>484</b>
Holding less than a marketable parcel	42

#### Securities subject to escrow

Details of number and class of securities subject to escrow that are on issue and the dates that the escrow periods end are set out below:

Fully paid ordinary shares	Date that the escrow period ends
-	Not applicable
-	

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**Cordlife Ltd****Additional Stock Exchange Information as at 20 September 2009**

<b>Substantial shareholders</b>	<b>Fully paid</b>	
	<b>Number</b>	<b>Percentage</b>
Ordinary shareholders		
ANZ Nominees Limited	23,021,847	24.65%
Citicorp Nominees Pty Ltd	11,640,130	12.46%
China Stem Cells (East) Company Ltd	5,795,000	6.21%
	<b>40,456,977</b>	<b>43.32%</b>

<b>Twenty largest holders of quoted equity securities</b>	<b>Fully paid</b>	
	<b>Number</b>	<b>Percentage</b>
Ordinary shareholders		
1) ANZ Nominees Limited	23,021,847	24.65%
2) Citicorp Nominees Pty Ltd	11,640,130	12.46%
3) China Stem Cells (East) Company Ltd	5,795,000	6.21%
4) BS Fund Management Pte Ltd	3,750,000	4.02%
5) Equitas Nominees Pty Limited	3,750,000	4.02%
6) Ms Lai Na Chiu	3,707,900	3.97%
7) CIMB-GK Securities Pte Ltd	3,464,038	3.71%
8) HSBC Custody Nominees (Australia) Ltd	3,445,725	3.69%
9) UOB Kay Hian (Hong Kong) Limited	3,002,919	3.22%
10) Tantalum Cellular Products LLC	2,566,972	2.75%
11) Equitas Nominees Pty Ltd	2,500,000	2.68%
12) National Nominees Limited	2,212,207	2.37%
13) NEFCO Nominees Pty Ltd	2,068,380	2.21%
14) HSBC Custody Nominees (Australia) Limited	1,966,072	2.11%
15) Tiong Aik Corporation Pte Ltd	1,230,514	1.32%
16) Mr Ben Kee Cheong Chng	868,000	0.93%
17) Arrow Asia Opportunity Fund Ltd	863,039	0.92%
18) UOB Kay Hian Private Limited	807,486	0.86%
19) Merrill Lynch (Australia) Nominees Pty Limited	747,862	0.80%
20) Christopher Han Siong Ho	682,283	0.73%

Mr Kam has an indirect holding of 17,525,000 shares in CordLife Limited. These shares are held as follows:

- 5,795,000 by China Stem Cells Holdings Limited
- 11,730,000 by ANZ Nominees Ltd.

### **Company secretary**

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### **Registered office and Principal administration office**

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### **Share registry**

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### **Other ASX information for recently listed entities**

The Group used the cash that it had at the time of admission to the ASX in a way which is consistent with its business objectives.

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